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1994



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Canada



**NATIONAL HOUSING OUTLOOK  
FIRST QUARTER, 1994**

**MARKET ANALYSIS CENTRE  
CANADA MORTGAGE AND HOUSING CORPORATION**

Forecast prepared January 1994



For further national information call the Market Analysis Centre:

Anh Trinh	– Director	(613) 748-2577
Gilles Proulx	– Chief Economist	(613) 748-2574
Marc Pellerin	– Economist, Capital Markets	(613) 748-2506
Michel Laurence	– Economist, Sectoral Analysis	(613) 748-2737
Leonard FitzPatrick	– Economist, Modelling and Forecasting	(613) 748-2552
Greg Goy	– Manager, Local Markets Analysis	(613) 748-2582

For further provincial information please contact:

Brian Martin	(Newfoundland)	(709) 772-4034
Darrin Keough	(Newfoundland)	(709) 772-2096
Ralph Freeze	(Prince Edward Island)	(902) 566-7467
André Moore	(Nova Scotia)	(902) 426-8465
Anne Traboultsee	(Nova Scotia)	(902) 426-8465
Al Coady	(New Brunswick)	(506) 452-3796
Todd Selby	(New Brunswick)	(506) 452-3381
Jean-François Dion	(Quebec)	(514) 283-4488
Alex Medow	(Ontario)	(416) 495-2000
Richard Goatcher	(Manitoba)	(204) 983-5648
Terry Kozak	(Manitoba)	(204) 983-8503
Paul Caton	(Saskatchewan)	(306) 975-4900
Bruce McDonald	(Saskatchewan)	(306) 780-5889
Laurie Scott	(Alberta)	(403) 482-8700
David Peever	(Alberta)	(403) 292-6200
Helmut Pastrick	(British Columbia)	(604) 666-2925

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Market Analysis Centre  
Canada Mortgage and Housing Corporation  
700 Montreal Road  
Ottawa, Ontario  
K1A 0P7  
Tel. No: (613) 748-2969  
Fax No: (613) 748-2402

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# Executive Summary

## CANADA

Economic expansion, a stronger job market and low interest rates will help boost Canada's housing industry over the next two years. However, these positive factors may be offset somewhat by smaller than expected population growth, slowing the demand for new construction. Over-supply of apartment inventory in some areas will also slow the pace of recovery.

The number of housing starts is expected to total 162,600 units in 1994, and rise to 171,000 in 1995. Much of the gain will be due to the construction of single-detached homes. The singles market will particularly benefit from the return of move-up buyers who will be encouraged by the economic recovery and affordable prices.

Multiple starts in 1994, however, will edge up only slightly to 71,500 units. High vacancy rates in most urban centres will put a damper on construction of new rental units. At the same time, demand for rentals will stay fairly low, preventing a speedy reduction in surplus inventory. Condominium starts will be steady, reflecting a rebound in Ontario offset by declines in British Columbia and Alberta.

Sales of existing homes are expected to pick up somewhat in 1994 due to favourable prices and lending rates and a sustained economic recovery. Total resales through the Multiple Listing System\* (MLS) will rise by around 4.3 per cent to 315,300 units with a further moderate increase in 1995.

## NEWFOUNDLAND

Housing construction activity will remain low in this province due to a stagnant job market, continued out-migration and consumer uncertainty. This forecast reflects an economy hurt by restrictions on the fishing industry and only moderately boosted by Hibernia activity.

Although singles starts will increase somewhat, this gain will be more than offset by the slippage in multiples, pushing down the total start figure to 2,300 in 1994 and 2,200 in 1995. The decline in multiples will reflect a surplus of vacant rental units and reduced activity in assisted housing. The marginal rise in singles starts will be due to greater affordability, along with increased demand from move-up buyers and the limited supply available. The bright spot will be the resale market, which will be stimulated by strong demand from first-time buyers and a healthy supply of lower-priced units.

## PRINCE EDWARD ISLAND

Low mortgage rates and economic growth related to the fixed-link project will fuel a small boom in singles construction this year. As many as 520 singles starts are forecast for 1994, the highest level in six years. The increase in singles will bring the total number of new housing units to 690 in 1994, although this will drop back to 650 in 1995. The rental-unit market will not fare as well, with construction falling in 1994 and 1995. This will be mainly due to an oversupply of vacant rental units in Charlottetown. Brisk activity in the Summerside area will not be enough to offset this decline. Much of the

demand for rental accommodation in this area is being met through converted military facilities and other vacant units. Resales for the province in general will do well, however, because new employees at the GST centre are switching from rental to privately owned accommodation. As a result, MLS sales should rise to 720 units in 1994, slipping back to 700 in 1995.

## NOVA SCOTIA

The slow pace of economic recovery, which is limiting job growth and income gains, will put a damper on the new construction industry in this province. Only 4,250 new units are forecast for 1994, followed by 4,150 in 1995. Even the strong demand from first-time buyers experienced during the last two years is down. These consumers have been able to meet their needs for now, and no new surge in demand is expected in the near future. Whatever demand exists is likely to switch from singles to the more affordable multiples. This market will also receive a boost from the availability of low cost financing for developers. As a result, multiples starts are forecast to increase in 1994 to 1,250 units. Meanwhile, lower volume is predicted for the resale market, which will be affected by the same trends as new construction.

## NEW BRUNSWICK

Total housing starts will decline by 5 per cent in 1994, before posting gains again in 1995. The drop this year will be due to a slowdown in the multiples market after two boom years. Since 1992, there has been an unprecedented 2,077 multiple starts. A rising vacancy rate will lead to

\* Multiple Listing Service (MLS) is a registered certification mark owned by the Canadian Real Estate Association.



more normal pace of construction through 1995. By contrast, the number of single starts will rise both this year and next. This market will gain from improved affordability and the gradual return of the move-up buyer. As for the resale market, it should post modest gains in 1994 and 1995, fuelled primarily by activity in Moncton where economic growth will outperform the rest of the province.

## QUEBEC

Quebec's housing starts total is expected to rise this year for the first time since 1988. A projected increase over the next two years will reflect modest job growth, low house prices, attractive interest rates and an influx of newcomers into the province. The gains will be slight, however, at 35,700 starts in 1994 and 39,000 in 1995. Renewed consumer confidence and a more active resale market will trigger the return of move-up buyers and boost singles starts. Multiple starts will also increase, although only marginally, thanks to greater economic activity outside urban areas. Meanwhile, in the larger centres, high vacancy rates will slow the construction of rental units and fewer first-time buyers will limit row- and semi-detached starts.

## ONTARIO

Consumer confidence is expected to return to Ontario as job growth picks up and mortgage costs stay low. As a result, housing start totals will gradually climb from the lowest level in 11 years, with 1994's rebound almost reaching 1992 levels. Some further, though moderate, increases are expected in 1995. The gains will be due to construction of privately owned units — both singles and multiples — while the assisted-housing sector will remain flat. In multiples, affordable row-house and condominium markets will improve the most, as inventories of vacant units are

depleted. Construction of private rentals and other freehold units will also increase, but only moderately. The resale market will also improve over the next two years. Dollar-conscious consumers will deplete the supply of affordable listings. And, later this year, we can expect a gradual move towards more expensive existing properties and new homes.

## MANITOBA

Manitoba's slow-paced recovery coupled with consumer uncertainty will limit growth of the new-home market during 1994. The starts total will edge up slightly to 2,525 units in 1994, then climb by 9 per cent to 2,750 in 1995. The low level this year will be mainly due to lack of activity in the multiples market as a consequence of high vacancy rates and cutbacks in social housing construction. The new singles market will fare better as gains in homeowner equity translate into greater move-up demand. First-time buyers, however, have already satisfied much of their pent-up demand for new homes. They are not expected to be very active, despite the incentive of low interest rates and the federal housing programs. The resale market will expand as it continues to attract consumers looking for affordable options.

## SASKATCHEWAN

Saskatchewan's housing markets will benefit from a stronger economy, less migration out of the province and an increase in consumer confidence this year and next. Rising resale prices and rents will also drive more consumers away from the existing market into the new home market and help boost housing starts, particularly singles. Most of the demand for new singles will come from people who left rural areas to come to the city, and from homeowners who have substantial equity in their property and want to move up. On the other hand,

vacancy rates will return to lower levels as a result of fewer new multiples projects.

## ALBERTA

A slow job market and migration of people out of the province will drive down housing starts in 1994. Multiple starts will plummet, after a surprisingly strong year, particularly in Edmonton. This market is a logical choice for much of the province's aging and cost-conscious population, but the current high inventories will limit the need for new construction until 1995. Fortunately, Calgary will see a slight expansion in the multiples market, helping to boost the provincial totals of 4,100 units in 1994 and 4,300 in 1995. In the singles market, starts will drop this year to 12,300 units, but will increase again in 1995 as more move-up buyers enter the scene. Meanwhile, diminished demand from first-time buyers will temporarily push down resales this year.

## BRITISH COLUMBIA

Housing demand will stay high in this province because of very low mortgage rates, an influx of newcomers and an improving economy. However, a diminishing supply of serviced lots and cautious lending practices will hold back construction activity. The starts total is forecast at around 40,000 units in each of the next two years. Multiples will make up the lion's share of the market both years because they are more affordable and require less land per unit. At the same time, certain municipalities will promote the development of small-lot singles. This will lead to a rise in singles starts in 1995. Meanwhile, the resale market can expect a higher pace of activity as low mortgage rates continue and consumer confidence improves. The hottest listings will be those considered affordably priced. ■



# Canada

by Gilles Proulx



## 1993 Housing Starts Total Reaches 155,443 Units

Final results for 1993 show 155,443 starts, or 7.6 per cent less than the year before. The year 1993 ended better than it began for the new home construction industry. Housing starts rose slightly during the fourth quarter, offsetting, to some extent, a slump early in the year.

This year-end rise was mainly due to a surge of construction activity in Ontario. British Columbia and the Prairie region also saw moderate advances, while Quebec and Atlantic markets declined. The fourth quarter national increase largely reflected growth in Canada's

major urban centres. By contrast, starts fell by about 18 per cent in smaller centres and rural areas.

The slow period early in 1993 came after a spike in interest rates, but a gradual recovery followed, supported by lower mortgage rates and modest gains in economic activity and employment. British Columbia generally saw strong growth throughout 1993 and record levels of housing starts. Totals for the year also rose in New Brunswick, Manitoba, Newfoundland, Saskatchewan and Prince Edward Island. In Ontario, however, construction of new units fell by 19 per cent over the previous year, mainly because of a decline in government-assisted starts. Quebec registered an 11 per cent drop for 1993, while Alberta and Nova Scotia saw starts edge down slightly.

As with new housing, the resale market suffered a sharp setback early in 1993 and, despite some recovery, experienced an overall decline for the year. Total sales through the Multiple Listing Service (MLS) for 1993 were 302,373 units, which is 7.7 per cent less than 1992. Fourth quarter sales were slightly up over the previous quarter.

Throughout the year, housing markets continued to benefit from the public's enthusiastic response to the federal housing initiatives

launched in 1992. CMHC's First Home Loan program had led to a total of 142,000 home purchases by year's end, while Revenue Canada's Homebuyers' Plan had 208,000 individual takers by mid-November. The First Home Loan program allows first-time buyers to enter the market with a five-per-cent down-payment, while the Homebuyers' Plan permits tax-free withdrawal of RRSP assets for a home purchase.

As for house prices, these rose only marginally in 1993 because of subdued housing markets and very low inflation. In both the new and existing home markets, price gains were limited to one and two per cent. These percentages are the national average and take into account both the large price jumps in British Columbia and the basically stable prices in the rest of the country.

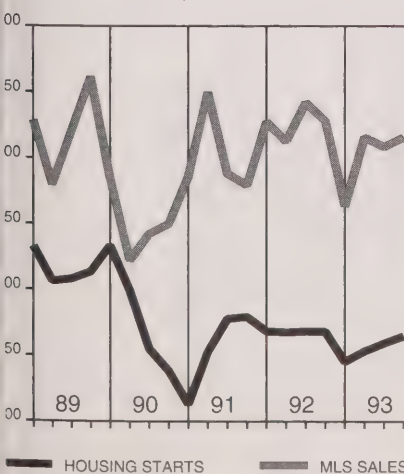
## Economy, Low Interest Rates, to Boost Housing Demand in 1994

Canada's economy should continue expanding over the next two years after starting on a growth cycle in 1993. This will likely translate into greater consumer confidence, which, coupled with low interest rates, will boost housing markets over the forecast period.

In 1993, the economy grew by about 2.5 per cent, fuelled by strong

### Housing Starts and Residential MLS Sales CANADA

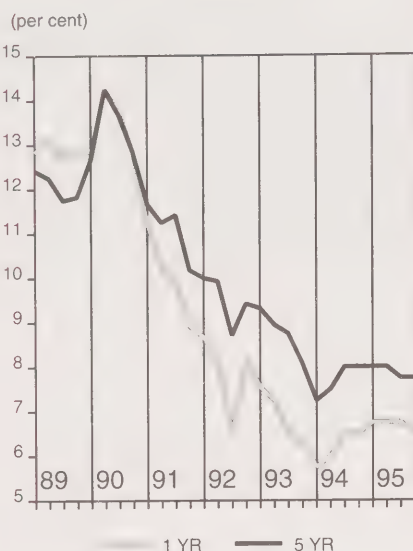
(thousands of units, SAAR)



SOURCES: CMHC; The Canadian Real Estate Association



## Mortgage Rates at Major Financial Institutions



SOURCE: Bank of Canada Review.  
1994-95 CMHC forecast.

demand for Canadian exports, corporate investments in machinery and equipment, the gradual decline in interest rates and a more competitively priced dollar. These positive forces were somewhat offset by factors such as government fiscal restraint and corporate restructuring that limited the creation of full-time jobs.

Economic expansion should continue in 1994 and 1995 due to continued strong external demand for Canadian goods and services and greater domestic consumption. As a result, real gross domestic product could grow by about 3.5 per cent in both years, leading to employment growth of about 2 per cent each year.

The expanding job market will likely boost consumer confidence and spending, but so will continued low interest rates. Mortgage rates are now lower than most of today's homeowners have ever seen them with the one-year rate at 5.75 per cent and five-year rate at 7.25 per cent. No significant change is expected in the near future because of the modest economic recovery

## Non-permanent Residents Affect Housing Demand

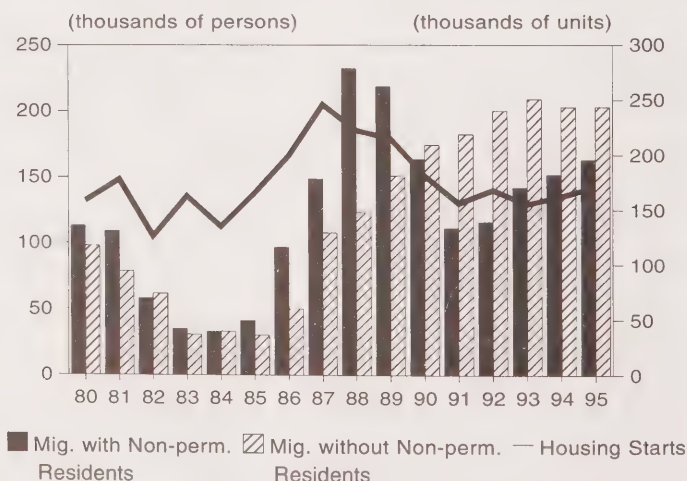
New data on net immigration to Canada reveal that newcomers known as "non-permanent residents" are a large part of international immigration flows and have had an important impact on housing demand. Since this group is declining, and will continue to do so over the next few years, the industry can expect a corresponding reduction in demand.

Until recently, figures on net immigration reflected only those people given landed immigrant status. But large numbers of new arrivals are here as non-permanent residents, that is, people with student visas, work permits, refugee claims or other authorizations. Now, for the first time, Statistics Canada has taken this group into account in its immigration calculations and published its findings in the Quarterly Demographic Statistics (April-June 1993, Vol. 7, No. 2). The findings show that between 40 to 110 thousand more people entered Canada from 1986 through 1989 than was previously thought. And, since 1991, there have been 70,000 fewer immigrants than first realized.

The new figures show the close link between net immigration and housing activity. The large number of non-permanent residents who came in the late 1980s corresponds with the boom in housing starts during that time. The smaller number of newcomers in recent years fits in with the slowdown that housing markets have experienced for this period. The link between immigration and housing is also reinforced for Quebec, Ontario and British Columbia, the three provinces with the highest proportion of non-permanent residents.

The new data affect estimates of potential demand for housing, defined as the projected number of new households. Originally, the projections were for nearly 200,000 new households per year for 1994 and 1995. This estimate has now been revised downward by about 15,000 in line with the decrease in non-permanent residents expected as a result of the reduced backlog of refugees. The non-permanent population should stabilize by 1996. Therefore, the estimate of 187,000 new households per year from 1996 through to 2001 remains valid.

### Total Net Migration and Housing Starts



SOURCE: Statistics Canada, CMHC forecast.  
1994-95 CMHC forecast.



and stable prices. These factors will influence international capital markets and domestic monetary policy to sustain the current low-rate trend. As a result consumer confidence and housing demand should strengthen.

## 1994 to be a Turnaround Year

The year ahead should see housing demand grow and markets start to rebound after a year of subdued activity. Housing starts are expected to reach a total of 162,600 units in 1994, rising to 171,000 in 1995.

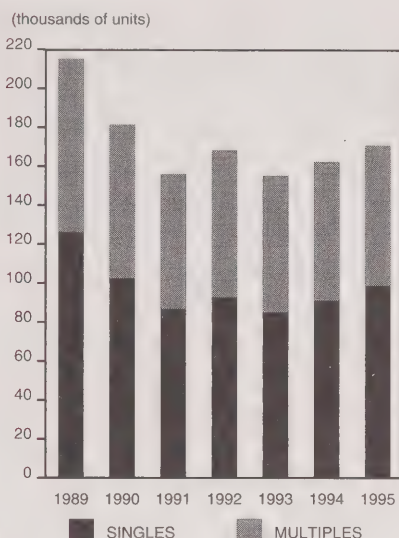
The recovery would be even greater if not for a surplus of housing inventory in some areas and reductions in the number of newcomers to the country. As a special feature article in this issue of NHO points out, Canada's population of "non-permanent residents" such as refugees is being reduced, and this has an impact on housing demand.

Much of the projected increase in housing starts for 1994 will be in the singles market. Construction here will be up because of more active participation by repeat buyers encouraged by an improved economy as well as affordable prices and interest rates.

Multiple starts, however, will edge up only slightly to 71,500 units in 1994. The condominium sector will reflect offsetting provincial trends and rise only marginally. Ontario's construction will jump as the inventory of condos has been reduced lately and needs to be resupplied. In British Columbia and Alberta, however, new construction will adjust to offset the recent rise in inventory.

Apartment construction will occur at a slow but steady pace because of the high vacancy rates in most urban centres of the country and sluggish demand. The average national vacancy rate is expected to

## Housing Starts by Type CANADA



SOURCE: CMHC.  
1994-95 Forecast

shrink to only 4.6 per cent and 4.0 per cent by the end of 1994 and 1995 respectively, compared with 4.9 per cent at the end of 1993. These levels are too high to trigger a significant increase in rental-unit construction.

The region by region forecast shows that the central provinces will likely perform the best in 1994. Ontario is expected to take the lead, since its economy is expanding as a result of its strong manufacturing and export sectors. This should help bring about a near 20 per cent increase in new home starts, largely reflecting trends in the markets for single-detached and for condo units. Resale markets should also fare well. Similar trends are forecast for Quebec, although its recovery will be slighter because of more modest economic prospects and a larger supply of vacant units on both the rental and condo markets.

The two westernmost provinces should see some downward adjustment resulting from supply constraints in British Columbia and

from rising inventories in Alberta. Construction will decrease in the Atlantic provinces, except for P.E.I. which will benefit from the fixed link project. Manitoba and Saskatchewan can also look forward to positive trends.

## Resale Market to Make Gradual Comeback

Sales of existing homes should rise moderately in 1994, reflecting greater affordability, economic recovery and a better job market. Total resales through the MLS system are expected to increase by 4.3 per cent to 315,300 units. The forecast for 1995 is a further, marginal increase of 1.7 per cent.

Three provinces — Ontario, British Columbia and P.E.I. — should post significant resale gains of between 7 and 10 per cent in 1994. Alberta and Saskatchewan will likely see declines, but will be the only provinces to do so.

Price increases, both for new and existing houses, should remain minimal this year due to low inflation, a well supplied market and only a gradual rise in demand. Average unit prices of existing homes will climb 4.1 per cent to about \$160,000. in 1994. But this national figure would be lower if not for the significant 6.1 per cent price gain in the British Columbia market. In other provinces, the increases will be 5 per cent, or less. Ontario's expected rise will be a marginal 0.9 per cent, but it will end a string of four annual declines. For 1995, the national price increase is forecast at 2.1 per cent.

New home prices will be affected by the same factors as those of existing homes, plus an additional one — competition from resales. As a result, the New House Price Index is forecast to rise by only 2.0 per cent this year and 2.8 per cent in 1995. ■



# Newfoundland

by Brian Martin and Darrin Keough



## Highlights

- Gains in single-detached starts offset by drop in multiples
- Resale market improves
- Vacancy rates remain high

## Strong Demand for Two-apartment Homes Boosts Housing Starts

Affordably priced two-apartment homes were hot sellers in Newfoundland during 1993, giving the province's residential construction industry a much-needed boost. Buyers were lured to this sector of the multiples market by the good prices as well as by falling interest rates and lower downpayment requirements. Coupled with an increase in federal/provincial assisted housing, multiple unit starts jumped 28.2 per cent last year. The singles market, however, saw a 3.2 per cent decline, largely due to reduced demand from move-up buyers made cautious by their concerns over job security. Strength in the multiples market led to a 5.9 per cent rise in total housing starts, the first increase in the province since 1989. The vacancy rate in urban centres of the province rose to 9.2 per cent in the latter part of 1993, reflecting reduced demand from refugee claimants and an increase in the number of renters moving to homeownership.

The existing homes market also benefited from favourable homebuying conditions in 1993. With a wider

choice of lower priced dwellings, the resale market was well positioned to meet demand from first-time buyers. A surge in homebuying activity during the third quarter resulted in a modest 1.2 per cent increase in MLS sales in the St. John's region last year. This represents the first increase in annual MLS sales since 1988. Central Newfoundland also saw its resale market strengthen, pushing total provincial MLS sales up 2.1 per cent to 1,867 units. Home prices in the central region were down substantially, however, causing the average price of a resale home in the province to decline 0.4 per cent to \$91,243.

## 1994-95 Outlook

### Economic Growth to Lag Rest of Country

Having stalled in 1993, Newfoundland's economy will continue to show little growth over the forecast period. Expansion is forecast at only 0.5 per cent in 1994 and another 1.0 per cent in 1995, well behind expected output in the rest of Canada. Ongoing government restraint and further declines in the fishery will be the main barriers to growth, offsetting spinoffs from the Hibernia project and marginal gains in mining and forestry.

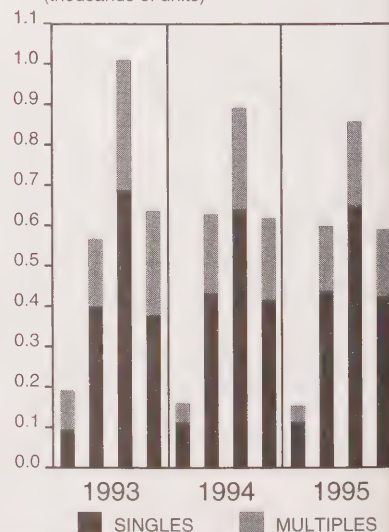
Despite drastic reductions in catch limits over the past two years, key fish stocks continue to decline. Plans for the lifting of the northern cod moratorium in mid-1994 have been put on hold, with no recovery in this stock expected until the late 1990s.

This has led to the recent closure of the cod fishery along the province's west coast and further reductions in quotas of other key stocks. The number of unemployed continues to rise with almost 30,000 people now out of work. Concerns over future compensation levels provided to affected workers remains a major concern. Any cutbacks in funding will likely dampen housing demand.

The Hibernia project remains the major engine of economic growth for the province. Total expenditures on Hibernia will peak at an estimated \$1.3 billion in 1994, with almost \$500 million of this amount flowing directly into the provincial economy. An additional \$900 million will be spent in 1995 with provincial expenditures expected to account for between 35 and 40 per cent. This level of investment will generate

## Housing Starts NEWFOUNDLAND

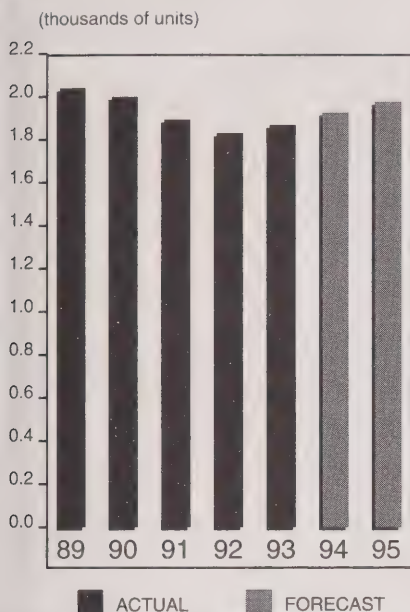
(thousands of units)



SOURCE: CMHC.  
1994-95 Forecast.



## Residential MLS Sales NEWFOUNDLAND



SOURCE: The Canadian Real Estate Association.  
CMHC: Forecast.

approximately 3,500 person years of direct employment within the province in each of the next two years.

The mining industry is forecast to post marginal gains in 1994 and 1995 largely due to better prospects for the Hope Brook gold mine and stronger demand for iron ore. As the American economy gains momentum, demand for newsprint will continue to improve, providing an additional boost to manufacturing output in 1995.

Concerns over the level of fisheries compensation provided after May 1994 combined with further cutbacks in government expenditures will limit income growth and consumer demand. Underlying weakness in the provincial economy leaves little room for job creation with no employment growth expected in 1994 and a modest 0.5 per cent increase in 1995. The unemployment rate will remain above 20 per cent. These conditions will prompt more individuals to leave the province over the next two years. Total net migration is forecast at

-3,900 persons in 1994 and -4,400 persons in 1995.

## Mixed Performance Forecast for Housing Markets

Higher levels of out-migration, a stagnant job market and continued consumer uncertainty will keep residential construction activity at low levels. However, favourable interest rates and only modest growth in house prices will maintain a high level of affordability. When coupled with stronger demand from move-up buyers and limited available supply, single-detached starts will increase marginally in 1994 and 1995. In contrast, a surplus of vacant rental units and fewer starts of both federal/provincial assisted housing and single-detached homes with basement apartments will result in less multiple unit construction this year and next. The drop in multiples will more than offset gains in singles construction. Total housing starts are forecast to decline to 2,300 homes in 1994 before falling further to 2,200 units in 1995.

Strong demand from first-time buyers and a healthy supply of lower priced units will stimulate sales of existing homes. Households eager to take advantage of favourable market conditions will help to reduce some

of the pent-up demand created in the move-up market in recent years. As a result, total MLS sales within the St. John's region will increase to 1,800 units in 1994. This trend will continue in 1995, with MLS sales expected to rise marginally to 1,850 units. MLS sales in central Newfoundland will remain stable at 125 units in both 1994 and 1995. With the bulk of sales activity concentrated in lower-priced, entry-level homes, average price growth will be kept below two per cent this year and next.

Demand for accommodation in larger rental projects will continue to be negatively affected by increased supply of basement apartments and the loss of some renters to the owner-ship market. These factors, combined with continued low levels of refugee claimants, will maintain vacancy rates in the St. John's region at between 8.2 and 9.5 per cent in 1994 and 1995. ■

### Key Provincial Indicators Newfoundland

	1993	1994 <sup>(F)</sup>	1995 <sup>(F)</sup>
Real GDP (% Change)	-0.1	0.5	1.0
Employment (% Change)	-1.1	0.0	0.5
Unemployment Rate (%)	20.2	20.2	20.1
Housing Starts (Units)			
Total	2405	2300	2200
Singles	1559	1600	1625
Multiples	846	700	575
MLS Sales (Units)	1867	1925	1975
Average MLS Price (Dollars)	91243	92500	93500

SOURCES: CMHC, The Canadian Real Estate Association, Statistics Canada, and The Conference Board of Canada.  
(F) Forecast by CMHC.



# Prince Edward Island

by Ralph Freeze

## Highlights

- 1993 rallies in the fourth quarter
- Bridge projects to fuel economy over next two years
- Single starts to boost totals 1994
- Average resale price to remain stable

## Housing Market Ends 1993 on a Positive Note

The province's housing markets gained strength during the last six months and particularly during the final quarter. Both new home construction and sales of existing homes rose significantly between October and December. The only declines were in single-detached construction in rural areas and average sale price of existing homes compared to the same three months in 1992. The price drop was due to more sales taking place in the lower priced markets outside of Charlottetown.

Canada's "most improved" market award may belong to the Summerside area. Without the excellent performance from this region, new construction and existing sales in the province would have declined. Increased demand for houses in the area has caused the average sale price to climb. Single-detached home construction was the highest in five years, almost doubling 1992's level.

Although it was a great year for the Summerside area, the local housing market has yet to reap the full benefits from the GST centre and the fixed link project.

## 1994-95 Outlook

### P.E.I.'s "Links" to Recovery

P.E.I.'s economy is expected to grow by 4.6 per cent in 1994 and 3.3 per cent in 1995. This year's jump is due to the fixed link project and a full year's impact from operating the GST centre. Non-residential construction (aside from the link) will be small by historic standards. The provincial government will be doing some school renovations and wrapping up a few other projects. Budget constraints will be the order of the day as attempts are made to tangle the deficit. Two bright spots to look forward to in 1994 are good potato prices for last year's crop, and an increase in tourist travel.

A good name for 1995 may be "the year of the bridges". The link to New Brunswick will be in full swing and possibly two bridges in the Charlottetown area will be under construction. Except for these projects, there are no significant growth spots at this time. Depending on public spending cuts, the employment boost from these projects will likely be reduced.

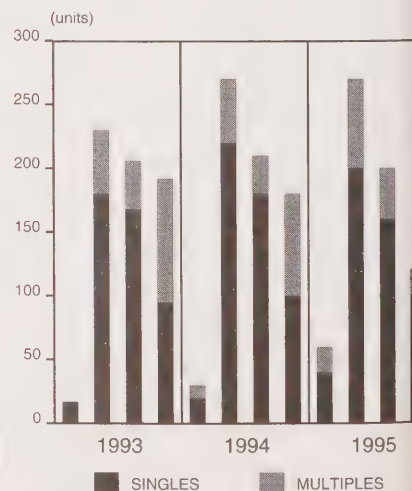


## Single-detached Construction Highest in Six Years

Total housing starts are forecast to improve by 7 per cent to 690 units in 1994, dropping back to 650 units in 1995. The increase this year will be fueled by the highest level of single-detached construction in six years. Demand for singles will peak in 1994. Employment and wages from work related to the fixed link, along with the low mortgage rates will boost construction to 520 units. In the rural areas, improved farm income due to strong potato prices will encourage home building once the 1994 crop is planted.

Lot prices in the Summerside area crept up in 1993 and will continue to do so this year. In fact, if not for the

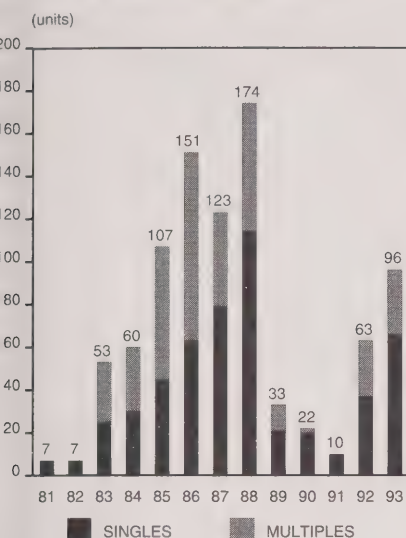
## Housing Starts PRINCE EDWARD ISLAND



SOURCE: CMHC.  
1994-95 Forecast.



## Summerside Housing Starts PRINCE EDWARD ISLAND



SOURCE: CMHC.

abundant supply of lots, prices may have been comparable to those in Charlottetown.

Construction of rental units will fall slightly to 170 units in 1994, and to 150 units in 1995. The decline is partly due to a surplus of rental housing in Charlottetown, which is the predominant rental market in the province. Charlottetown's supply remains approximately three percentage points above market balance, translating into 100 surplus units.

Rental activity in the Summerside area is brisk, but this will not lead to a construction boom. Conversions and rent-up of vacant units will meet most of the short term demand caused from the link. Also, the previous military barracks are being used to house some construction

workers. Because of these factors, new rental construction will remain stable at 1992 and 1993 levels.

## Resale Market Imitates Construction Sector

MLS sales are forecast to increase to 720 home sales in 1994, then slip to 700 sales in 1995. The growth will come from the Summerside and Borden areas because of two factors. Many GST employees who plan to stay will move from rental accommodations to ownership starting as soon as the snow disappears. In the Borden area, speculation will lead to a number of sales. Conversion to rental units or retail services will be the destiny for some of these properties.

The rest of the province is unlikely to experience a significant housing impact from these two factors. For example, employment growth in Charlottetown is unlikely over the forecast period. Housing sales are

expected to improve marginally in the capital area, but this is due to steadier work for those already employed.

Based on these facts, plus another year of active sales in the less expensive Summerside area, resale prices for 1994 will remain constant at 1993's level. However, it is this upward pressure on Summerside area prices that will keep the provincial average from falling. By 1995, the average price will increase to \$75,000. Total listings will fall and the urban markets will experience a rise in prices.

A potential growth market in the province is cottages and shorefront properties. As the bridge to New Brunswick gets underway, quick access to P.E.I. may increase demand from other parts of this region. ■

## Key Provincial Indicators Prince Edward Island

	1993	1994 <sup>(F)</sup>	1995 <sup>(F)</sup>
Real GDP (% Change)	0.6	4.6	3.3
Employment (% Change)	0.0	2.2	1.8
Unemployment Rate (%)	17.7	17.0	16.8
Housing Starts (Units)			
Total	645	690	650
Singles	460	520	500
Multiples	185	170	150
MLS Sales (Units)	654	720	700
Average MLS Price (Dollars)	72422	72500	75000

SOURCES: CMHC, The Canadian Real Estate Association, Statistics Canada, and The Conference Board of Canada.

(F) Forecast by CMHC.



# Nova Scotia

by André Moore and Anne Traboulsee

## Highlights

- Economic restructuring protracts recovery; housing demand constrained
- Existing home sales to see modest decline in demand
- New home construction to level off
- Oversupply to keep rental vacancies high

## Housing Industry Flat in 1993

A protracted economic recovery in Nova Scotia resulted in an 8 per cent decline in housing starts in 1993. The 1993 total was 4,282, the lowest level recorded since 1982. A significant decline in apartment construction was offset somewhat by a rise in semi-detached and row-housing construction. Single-detached starts, declined by 3 per cent from the year before. New construction markets have not yet recovered, despite low mortgage rates and financial incentive programs for home buying. Negative economic influences such as high unemployment and economic restructuring are dampening demand.

The resale market saw a decline of 3.8 per cent in 1993, in part due to reduced demand from first time homebuyers. Rental markets remained soft in most urban areas, since many renters were able to move into homeownership, encouraged by easy financing programs. The high rate of vacancies was also due to the

glut of apartment construction during the early 1990s. This oversupply persisted despite a 40 per cent decrease in apartment starts in 1993.

## 1994-95 Outlook

### Province's Economy in Transition

Nova Scotia will continue to limp towards economic recovery over the next two years, progressing at a slower rate than other parts of Canada. Economic growth will be limited to 1.5 per cent in 1994 and 1.9 per cent in 1995.

The restructuring, underway for some time in the private sector, has now hit the public sector, impacting heavily on employment and consumer confidence. Deep funding cuts, reorganizations and layoffs can be expected throughout all levels of government service. With the loss of economic stability these changes will bring, consumer confidence will remain weak, and this will affect peoples housing decisions over the next two years.

Unfortunately, few large-scale projects remain to stimulate growth. However, the construction of 12 coastal defence vessels at Halifax-Dartmouth Industry Ltd., government infrastructure projects, and a growing private service sector will contribute to improvements in the economy.

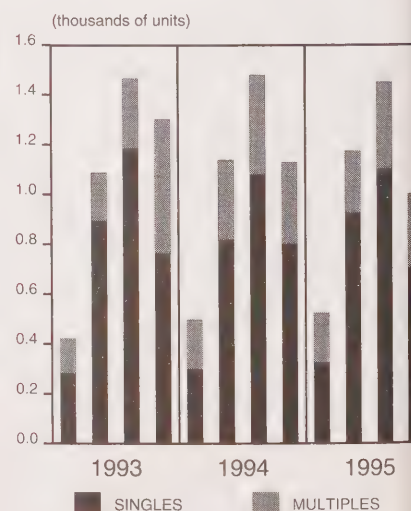
Export sales will continue to be an important source of economic growth. In this as in other sectors, restructuring has not yet generated



many new jobs. As a result, employment in Nova Scotia will improve only slightly and gradually over the forecast period, rising by 0.6 per cent in 1994 and 1.1 per cent in 1995. To sustain a recovery, industries will have to reinvest their profits into job creation so that consumer confidence and spending can once again be strong.

A prolonged economic recovery will contribute to an outflow of Nova Scotia residents, to other provinces with better job prospects. Net out-migration will be about 1,900 people in 1994 and 1,200 in 1995. This population loss, coupled with weak employment, low income growth and job insecurities are major factors which will constrain housing markets for the next two years.

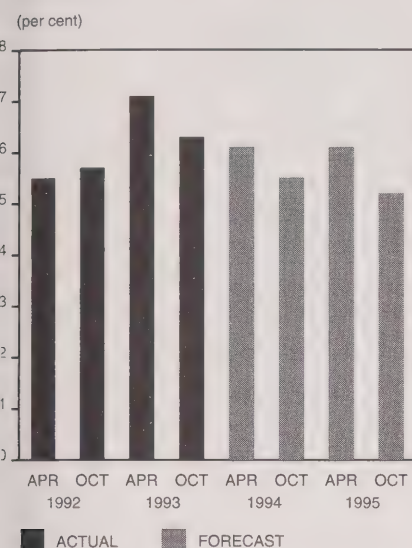
## Housing Starts NOVA SCOTIA



SOURCE: CMHC.  
1994-95 Forecast.



## Halifax Vacancy Rate (3 units or more, privately initiated)



SOURCE: CMHC.  
1994-95 Forecast.

## Housing Market Faces Gradual Decline

Reduced demand for single-detached housing is forecast for 1994 and 1995 as a result of a number of factors. For one thing, most of the pent-up demand for single-family homes from first-time buyers has been released during 1992 and 1993. In addition, job insecurities are depressing consumer confidence, and a high number of affordable alternatives are available for purchase or rent. A total of 4,250 units are forecast to start in 1994, followed by 4,150 units in 1995. Single-detached house starts are forecast to decrease by 4 per cent in 1994 before rising 1.7 per cent in 1995.

Resales declined in 1993 due in part to weak consumer confidence and reduced demand from first-time homebuyers. Favourable conditions such as historically low mortgage rates, low and stable house prices,

and government sponsored incentive programs, will have a stabilizing effect on the resale market throughout the forecast period. However, sales volume will be lower than last year as housing demand levels off. Total sales of existing homes in 1994 is forecast at 6,700 units, followed by 6,500 units in 1995 (*see note*).

Price growth in resales is forecast at roughly 3 per cent for both 1994 and 1995. The price rise will be due to a number of factors: increased buying activity of mid-range homes (sales of homes between \$120-\$149,000 increased to 15 per cent of Metro sales in 1993 up from 13 per cent in 1992); demand from first-time buyers, but at lower levels than experienced in 1992-93 and; prices are due for an increase since they have been relatively flat for the past couple of years. The average sale price is forecast at \$93,300 for 1994, and at \$96,000 for 1995 (*see note*).

Multiple-unit starts, both freehold and rental, declined significantly in 1993. The market is forecast to increase in 1994 to 1,250 units, as civic officials attempt to attract developers back to the market, interest rates remain low and developers

plan for the long term. Multiple starts will decline slightly to 1,100 units in 1995 as projects are completed and demand levels off.

Rental demand is expected to remain relatively weak throughout the forecast period because homeownership affordability will remain high and because of a glut of apartments in some urban areas such as Metro Halifax. The vacancy rate will fluctuate somewhat as more people, near retirement age, move from homeownership to rentals.

In Metro Halifax, additional rental apartment completions will increase the rental supply in 1994 and 1995. However, new household formations combined with decreased buying activity from first time buyers will contribute to a slight decline in the vacancy rate. It is forecast to decline slightly to 6.1 per cent for both the spring of 1994 and 1995. ■

**NOTE:** At the time of publication of this report, forecast numbers for MLS activity (*see forecast tables*) 1994 & 1995 were based on an estimate of 1993 activity. Following publication, CREA released their year end statistics. As a result of the adjustments, the actual 1993 MLS numbers were significantly lower than estimated. The MLS forecast numbers in the text are revised based on the adjusted MLS data for 1993. The forecast tables will reflect this revision in the next issue of the NHO.

### Key Provincial Indicators Nova Scotia

	1993	1994 <sup>(F)</sup>	1995 <sup>(F)</sup>
Real GDP (% Change)	0.9	1.5	1.9
Employment (% Change)	-1.1	0.6	1.1
Unemployment Rate (%)	14.6	14.7	14.6
Housing Starts (Units)			
Total	4282	4250	4150
Singles	3126	3000	3050
Multiples	1156	1250	1100
MLS Sales (Units)	6837	7100	6900
Average MLS Price (Dollars)	90534	94700	97500

SOURCES: CMHC, The Canadian Real Estate Association, Statistics Canada, and The Conference Board of Canada.

(F) Forecast by CMHC.



# New Brunswick

by Al Coady and Todd Selby



## Highlights

- Housing starts jump in 1993
- Economy set to strengthen, but unemployment to stay high
- Starts activity to taper off in 1994

## New Home Market Posts Healthy Gains

New Brunswick's housing starts rose 12 per cent in 1993, led by a strong performance in the rural areas of the province. In urban centres, however, starts declined by 2.6 per cent because of sluggish markets in Saint John, Fredericton and the northern regions. Moncton was the only centre that saw housing starts rise. The increase was due to record growth in Moncton's multiples market, boosted by a strong local economy and optimism because of the fixed link between P.E.I. and New Brunswick. Since 1992, a record 1,000 multiples have been started in the Moncton Area.

Unlike the new-home market, the resale market weakened last year after a strong performance in 1992. Sales fell from 3,550 units in 1992 to 3,483 last year, and virtually all real estate boards across the province saw declines. Again, the only exception was Moncton. The average resale price edged up by 2.3 per cent to \$84,951 in 1993, from \$82,478 in 1992.

## 1994-95 Outlook

### Economic Outlook Positive

New Brunswick's economy will grow by 3.3 per cent in 1994, achieving a third consecutive year of expansion. The growth will come mainly from buoyant export industries and increases in retail trade. For 1995, the forecast is a further gain of 3.0 per cent.

The projected strength of retail trade will be largely thanks to a decline in cross-border shopping as a result of good exchange rates and more competitive pricing. But although retail trade is up, automobile sales have dropped for the fourth year in a row indicating that consumer confidence is still shaky. This problem will continue, as more layoffs by large employers are in sight. For example, NB Power plans on reducing its workforce by 12 per cent over the next two years.

The forecast is mixed for other sectors of the economy. The construction industry will see little or no growth in 1994 after posting gains in 1993. A number of projects are now winding down, and neither the federal government's infrastructure program, nor activity from the fixed link will be enough to take up the slack.

The pulp and paper industry will suffer from low prices, excess supply and environmental regulation in 1994. The lumber industry, however, will continue to benefit from greater

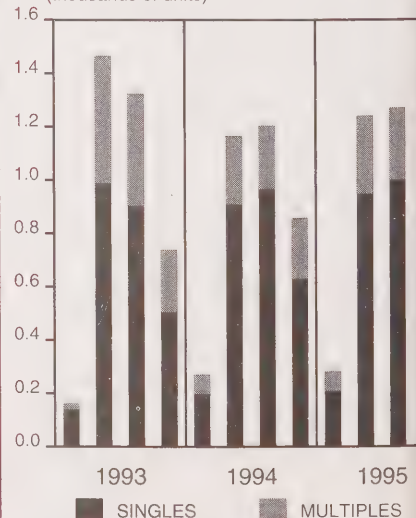
construction activity in neighboring provinces and in the U.S.

In the mining industry, worldwide excess supply is expected to decline during 1994, and prices should increase. As a result, mining will begin to recover in late 1994 and early 1995. Unfortunately, job uncertainty will be a fact of life in the resource sector this year and next, as many employers continue to combat weak markets by temporarily shutting down operations and laying off employees.

The number of people employed in New Brunswick grew by 2,000 last year. Unfortunately all the gains were in part-time jobs — not good news for the housing industry. However, more full-time jobs will be created as the economic recovery gathers steam. Total employment will increase by

## Housing Starts NEW BRUNSWICK

(thousands of units)

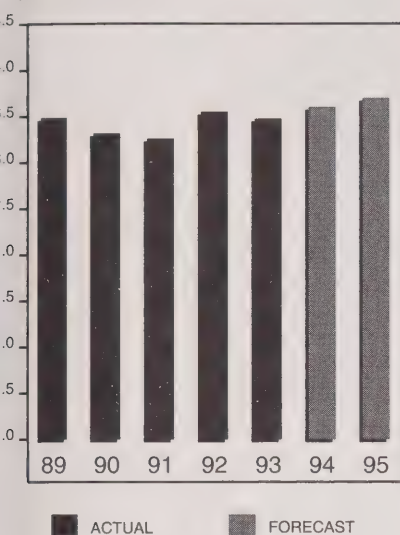


SOURCE: CMHC.  
1994-95 Forecast.



## Residential MLS Sales NEW BRUNSWICK

(thousands of units)



SOURCE: The Canadian Real Estate Association  
CMHC: Forecast.

4,000 this year and by 6,000 in 1995. These gains will be offset by expansion of the labour force ensuring that the unemployment rate remains at about 12 per cent for the next two years.

## Heated Multiples Market to Cool Off in 1994

Total housing starts will drop by 5 per cent in 1994 before recovering in 1995. This year's decline will be due to a slowdown in the multiples market after an unprecedented 2,077 starts over the past two years. Longer absorption rates for the newly finished apartments and rising vacancies will bring back lower levels of apartment construction for the forecast period.

By contrast, the single family market will post gains in both 1994 and 1995, resulting in five consecutive years of expansion. First-time buyers, drawn to homeownership by stable house prices, low mortgage rates and federal home purchase incentives, will generate most of the

growth in the single family market. Although confidence is still low, pent-up demand and conditions in favour of consumers will precipitate a gradual return of the move-up buyer.

The Moncton area will record the largest gains in single-family starts as builders rush to take advantage of the expanding local population. In Saint John and Fredericton, singles starts will increase only marginally both this year and next. In the north of the province, where mining and forestry play a major role in the local economies, housing activity will remain unchanged during 1994 and 1995.

The existing home market will post modest gains during 1994 and 1995. Moncton, which was the only area to see sales rise during 1993, will continue to provide most of the growth for the province. In Saint John and in Northern New Brunswick, minimal job gains and continued economic uncertainty will keep resales volumes at 1993 levels during 1994. These markets will see a slight improvement in 1995. In Fredericton, where home prices tend to be higher than elsewhere in the province, slow wage growth and job insecurity among many civil servants will dampen market growth for the next two years.

The price of a home on the resale market will grow by 3.0 per cent this year and a further 3.4 per cent in 1995. Price growth will continue in the face of lacklustre sales because of a stronger demand for the more expensive homes on the market. This will occur because low mortgage rates and federally sponsored housing programs will make more of the higher-priced homes affordable to more consumers.

Vacancies in most parts of the province will trend upwards in 1994 before stabilizing in 1995. The higher vacancy rates in 1994 will be due to a large supply of new units available in Moncton and Fredericton where the vacancy rates are currently 3.4 and 3.1 per cent respectively. However the attraction these two centres hold for job seekers, will keep vacancy rates from moving above the 4 per cent level at least until the end of 1995. In Saint John, where multiple-unit construction is at lower than normal levels, vacancies will stabilize this year before decreasing slightly in 1995. In the northern areas of the province, vacancies will continue to increase due to softening demand and weak local economic conditions. ■

### Key Provincial Indicators New Brunswick

	1993	1994 <sup>(F)</sup>	1995 <sup>(F)</sup>
Real GDP (% Change)	0.7	3.3	3.0
Employment (% Change)	0.7	1.4	2.0
Unemployment Rate (%)	12.6	12.5	11.9
Housing Starts (Units)			
Total	3693	3500	3700
Singles	2535	2700	2800
Multiples	1158	800	900
MLS Sales (Units)	3483	3600	3700
Average MLS Price (Dollars)	84951	87500	90500

SOURCES: CMHC, The Canadian Real Estate Association, Statistics Canada, and The Conference Board of Canada.

(F) Forecast by CMHC.



# Quebec

by Jean-François Dion

## Highlights

- New residential construction down in 1993
- Labor market to pick up some momentum but unemployment rate to remain high
- Modest upturn in residential construction activity in 1994

## New Construction Down in 1993

Instead of mirroring economic improvement, residential construction experienced numerous setbacks in Quebec. After recording 37,600 housing starts in the second quarter at a seasonally adjusted annual rate (SAAR), activity stalled at 28,600 units (SAAR) in the last quarter. For 1993 as a whole, 34,015 starts were registered. This is 11 per cent less than in 1992 and the sixth consecutive annual decline.

The anemic state of both the labor and resale markets throughout 1993 were disincentives for move-up buyers. Moreover, the stock of new and vacant units remained high (over 6,000 units), curbing the need for new construction. The vacancy rate in rental structures remained high (7.3 per cent) although it did dip slightly from its record level of 7.5 per cent.

Construction activity for detached houses, usually a favorite among move-up buyers, posted an 8 per cent decline.

First-time buyers however, were more active, especially during the first six months of 1993. Construction of semi-detached and row houses earmarked for this client group increased by 5 per cent for a total of 5,527 units in urban centres. Low interest rates together with stable prices and the federal 5 per cent down program fuelled the demand for this type of property. Condominium construction, in particular the segment intended for first-time buyers, also posted a good performance with a total of 5,672 housing starts, i.e., 15 per cent more than the preceding year.

Rental construction continued to face a tough time in 1993, encumbered as it was with 49,000 vacant units on the market and a weak demand due to lower migration and unemployment among young adults. Rental housing starts, totalling only 4,683, posted a decline of 39 per cent compared to 1992.

Resale market transactions were threatened on two fronts: low consumer confidence and stiff competition from new construction. The MLS system registered 31,600 transactions in 1993, down 1 per cent from the preceding year. The low activity level on the market and the large number of houses for sale stalled the average MLS price at \$102,400.

## 1994-95 Outlook

### Jobs to Benefit from Upturn in Economy

Quebec's economic growth, measured in terms of GDP, will go from



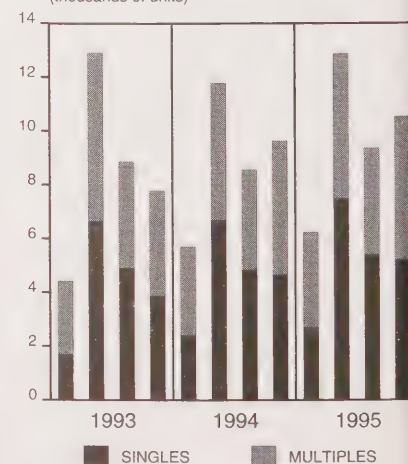
2.1 per cent in 1993 to 3.2 per cent in 1994, and to 3.3 per cent in 1995. Net job creation will finally chalk up a positive figure after having stagnated in 1993. With restructuring by many companies, only 6,000 new jobs were created in 1993 whereas 47,000 are expected in 1994 and 60,000 in 1995. The unemployment rate will remain high however, at 12.9 per cent in 1994 and 12.6 per cent in 1995. Better job prospects will encourage job seekers to actively start looking for work again, thus inflating the labor force and slowing down the drop in the unemployment rate.

Increased investments are expected including, among others, some Hydro-Québec projects, re-tooling the Hyundai factory in Bromont and continued work on the Pétresa plant in Bécancour.

The export sector, an important component in economic growth in 1993, will once again prove to be a

## Housing Starts QUEBEC

(thousands of units)



SOURCE: CMHC.  
1994-95 Forecast.



major asset to the Quebec economy in 1994 and 1995, stimulating job creation in the manufacturing sector. On the other hand, the slow return of jobs lost during the recession, low salary increases and the steadily growing tax burden will put a damper on domestic demand especially in 1994. This will be reflected by a low job creation rate in the service sector, particularly in retail trade and personal services. Measures taken by the Quebec government to reduce the number of its employees by 12 per cent within five years will also keep the job creation rate low in the service sector.

## Upturn in Construction

Residential construction will increase this year for the first time since 1988. It will be a modest upturn, however, since no more than 35,700 housing starts are forecasted for 1994 and 39,000 in 1995, up 5 per cent and 9 per cent respectively. These performances remain far below the last 30-year average of 47,000.

This upturn will be fuelled by an increase in job creation and consumer confidence, by low interest rates and by an increase in net migration. In spite of a downward trend, the stock of vacant units will remain high, especially in the rental sector, putting a damper on this upturn.

The gradual return of move-up buyers will be the prime catalyst of the upturn in residential construction. This client group will make their presence increasingly felt as consumer confidence improves and as the resale market becomes more active. Thus, it is expected that the number of single-detached starts will rise from 17,136 in 1993 to 18,600 in 1994, and 20,800 in 1995, up 8 per cent and 12 per cent respectively.

The increase in multiple unit construction will be smaller, however, up 1 per cent in 1994 (17,100 units) and 6 per cent in 1995 (18,200 units). Construction of semi-

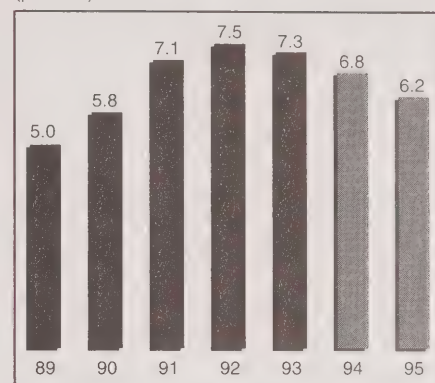
detached and row houses will fall by 4 per cent in 1994 due to the temporary depletion of the first-time buyer pool following three very active years. Better job prospects for the 25-44 year-old group towards the end of 1994 and in 1995 will be the impetus needed to boost the production of first-time buyer houses by 5 per cent next year.

Rental construction will still be hampered this year by excess vacant units. There will only be 4,200 new rental units produced, 10 per cent less than in 1993 and activity will stabilize at this level in 1995. This small volume of rental starts together with a gradual increase in demand will bring down the vacancy rate from 7.3 per cent in 1993, to 6.8 per cent in 1994 and to 6.2 per cent in 1995.

Condominium construction will bounce back as 5,800 new units are expected in 1994 and 6,500 in 1995. The opening of large scale construction sites in the Montreal area (Faubourg Québec, Bois Franc, etc.) will boost condominium construction. With the return of the move-up buyers, builders will gradually shift towards more expensive projects (\$100,000 and more). Condominium construction growth will still be limited by the stock of 2,200 new and vacant condo units in early 1994.

## Quebec Vacancy Rate (3 units or more, privately initiated)

(per cent)



OCTOBER

■ ACTUAL

■ FORECAST

SOURCE: CMHC.

The resale market will prove more active in 1994 and 1995. MLS sales will reach 32,500 in 1994 and 34,000 in 1995, rising by 3 per cent and 5 per cent respectively. For the first time in four years, prices will trend upward due to a stronger market and some move-up activity. Specifically, the average MLS price will be up by 2.5 per cent in 1994, and by 3 per cent in 1995, slightly more than the projected inflation rate. ■

## Key Provincial Indicators Quebec

	1993	1994 <sup>(F)</sup>	1995 <sup>(F)</sup>
Real GDP (% Change)	2.3	3.2	3.3
Employment (% Change)	0.2	1.6	2.0
Unemployment Rate (%)	13.1	12.9	12.6
Housing Starts (Units)			
Total	34015	35700	39000
Singles	17136	18600	20800
Multiples	16879	17100	18200
MLS Sales (Units)	31875	32500	34000
Average MLS Price (Dollars)	102447	104900	108000

SOURCES: CMHC, The Canadian Real Estate Association, Statistics Canada, and The Conference Board of Canada.

(F) Forecast by CMHC.



# Ontario

by Alex Meadow



## Ontario's Resale Homes More Affordable

Ontario's average-priced MLS home is more affordable now than it has been in over seven years. This is because mortgage rates have plummeted and because the recession either brought down or stabilized prices of resale homes in most of Ontario's major centres. As a result, potential first-time buyers are in an excellent position to enter the market.

The table below illustrates peak mortgage carrying costs on Ontario's average MLS-priced metropolitan area homes and compares them to what they were at year-end in 1993. Costs are expressed as constant 1993-dollar monthly principal and interest payments on a mortgage equal to 90 per cent of the seasonally adjusted average MLS price. These calculations are based on three-year mortgage rates and a 25-year amortization period.

Major Metropolitan Area	Carry cost peak (month/year)	Peak P&I Carrying Costs (\$1993)	Dec. 1993 Carrying P&I Cost (\$1993)	Change (per cent)
Hamilton	May, 1990	1,920	920	-52.1
Kitchener	May, 1990	1,880	850	-54.8
London	April, 1990	1,650	820	-50.3
Oshawa	March, 1989	2,230	840	-62.3
Ottawa	June, 1990	1,630	980	-39.9
St. Catharines	April, 1990	1,570	810	-48.4
Sudbury	July, 1990	1,310	710	-45.8
Thunder Bay	April, 1990	1,210	730	-39.7
Toronto	April, 1990	3,130	1,270	-59.4
Windsor	April, 1990	1,300	700	-46.2

Sources: Average MLS price data are from The Canadian Real Estate Association's "Monthly MLS Statistical Survey". Constant dollar monthly carrying cost estimates by CMHC.

## Highlights

- 1993 starts lowest in 11 years
- Population growth, jobs and affordable mortgage carrying costs will spur sales
- Private-sector will lead a moderate upturn in residential construction in 1994 and 1995

## 1993 Starts Lowest in 11 Years

Job uncertainty continued to stall the Ontario economy in 1993 and to put a damper on consumer confidence. Existing home sales dropped 7 per cent from 1992, while home starts plummeted by 19 per cent to 45,140 — the lowest starts total in 11 years.

Most of the decline occurred in the multiples market and was due to the scaling down of assisted rental construction. In addition, private rental starts were kept low by high vacancy rates. Freehold multiples also edged down, as did singles, affected by the absence of move-up buyers. Only condominium starts inched up, boosted by declines in the inventory of completed and unoccupied row and apartment units.

Despite the overall declines for the year, the fourth quarter of 1993 showed signs that low interest rates are finally encouraging undecided consumers to buy. Towards year end, assisted rental starts shot up and condominium and singles starts posted moderate gains. These



increases pushed the quarter's seasonally adjusted rate up to its highest level in a year and a half.

Existing home sales through the MLS picked up even earlier — in the second quarter of 1993. The most affordable mortgage carrying costs in seven years and government incentive programs spurred many renters to buy their first home. But move-up buyers were still cautious, waiting for another price cycle so they could enjoy healthy capital gains. Sales of existing homes in most of Ontario's major metropolitan areas are now up and supplies of new listings are going down. Even though this is a sign of returning price pressures, MLS price increases will be modest until Ontario's economy strengthens.

New house prices in most major centres came down in 1993. Six of Ontario's eight New House Price Indices ended the year lower than last year, with the largest declines in Hamilton, St. Catharines and Toronto. Notably, these cities were along lake Ontario's recession-ravaged golden horseshoe. New home prices in these cities will also be slower to recover.

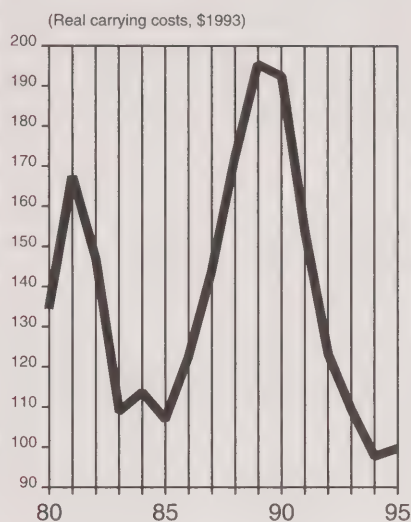
## 1994-95 Outlook

### Employment and Migration to Give Housing a Boost

During the next two years, Ontario will see greater recovery in its job market and rising net migration. These economic and demographic factors — the main forces influencing housing markets — will boost housing demand.

After a fairly dull year in 1993, Ontario's employment scene should brighten in 1994, although the pace of growth will remain slow compared to previous recoveries. Too many large service industry organizations in the public and private sectors still

### Ontario Homes are Affordable



SOURCES: CREA MLS price, 10% dp., 25 yrs. amortization.

Calculations and forecasts by CMHC.

face economic uncertainty. What's more, the job market has a lot of catching up to do.

In early 1993, job creation in Ontario stalled, with only one-third of the jobs lost in the recession reinstated. The province's hard hit manufacturing sector had little to offer, and part-time jobs replaced full time work during the first half of 1993. Fortunately, this trend started to reverse at mid-year. And, prospects for full-time work should improve as economic recovery in the United States and a low Canadian dollar hike demand for Ontario's exports.

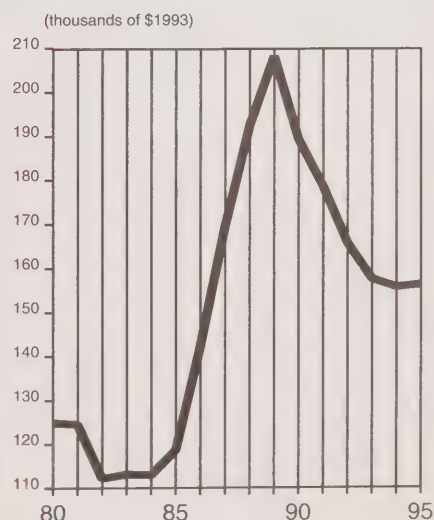
Population growth in the province moderated in 1993, but should regain strength this year and next. Over the last few years Ontario has had very high immigration levels, moderate inter-provincial losses and large outflows of non-residents. More than half of Canada's immigrants come to live in Ontario, attracted by strong social and ethnic networks. During the recent recession, however, high unemployment drove many people out of the province. Net 1993 inter-

provincial migration estimates show that, last year, 5,500 Ontarians went searching for jobs in western Canada, while the number of non-permanent residents fell by 43,000, as those individuals became landed immigrants or left the province. But these trends should reverse during the next two years. First, Canada's immigration target, at 250,000, is historically high and a majority of these newcomers will settle in Ontario. Secondly, employment gains should stem the current inter-provincial outflow and reduce the exodus of non-residents.

### Housing Markets to Make a Comeback

Resale markets will be more active during the next two years as employment growth restores consumer confidence and low interest rates keep mortgage carrying costs affordable. Brisk sales will deplete the supply of affordable listings, and this will push up the average MLS price slightly. Late in the year, we can expect a trend towards more expensive homes both in the existing and the new home markets as move-up buyers gradually return.

### Ontario's Real MLS Price



SOURCES: CREA average MLS price data. Price deflation and forecast by CMHC.



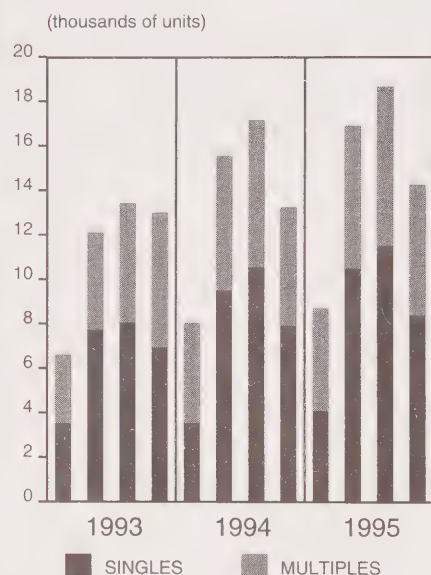
Housing starts numbers will improve, with singles and private-sector multiples leading the way. The rebound in 1994 is predicted to reach near 1992 levels. More moderate growth is forecast for 1995.

The increase in multiples will be due to more construction of condominiums and affordable row and apartment units. Condominium starts will likely increase the most because current inventories are being

depleted. Freehold ownership row and semi-detached starts will edge up modestly. Assisted rental starts are expected to be flat. Vacancy rate declines will be slow and will hold back the increase in privately initiated rental starts.

ployment and a decline in the youth population which tends to rent. High immigration levels will partially counter these pressures, since many newcomers rent while becoming established. Toronto, which attracts many immigrants, will therefore see vacancy rates stay comparatively low. Ottawa will also have relatively few vacant units because its job market is fairly stable. In Windsor, vacancies will drop more quickly than in any other Ontario centre. This is because the city's economy is due for a boost from major construction projects and a healthy automotive sector. ■

## Housing Starts ONTARIO



SOURCE: CMHC.  
1994-95 Forecast.

## Ontario's Rental Market to Slowly Improve

Although Ontario's metropolitan areas should see lower vacancy rates in 1994, the drop will not happen quickly. There are several reasons for this: first-time buyers moving from rental to ownership, high youth unem-

### Key Provincial Indicators

Ontario	1993	1994 <sup>(F)</sup>	1995 <sup>(F)</sup>
Real GDP (% Change)	2.4	3.7	4.0
Employment (% Change)	1.7	2.1	2.7
Unemployment Rate (%)	10.6	10.4	10.2
Housing Starts (Units)			
Total	45140	54000	58500
Singles	26240	31500	34500
Multiples	18900	22500	24000
MLS Sales (Units)	121783	130000	135000
Average MLS Price (Dollars)	157307	158800	163000

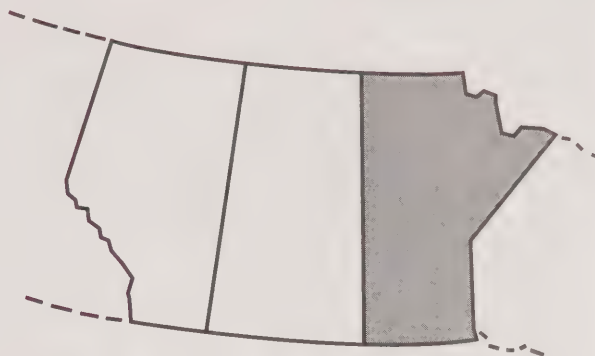
SOURCES: CMHC, The Canadian Real Estate Association, Statistics Canada, and The Conference Board of Canada.

(F) Forecast by CMHC.



# Manitoba

by Terry Kozak



## Highlights

- Provincial housing starts on road to recovery
- Manufacturing sector leads growth in 1994
- Resale market to rebound in 1994

## Housing Starts Rebound in 1993

Manitoba's new housing market displayed signs of recovery last year with starts jumping 5 per cent compared with previous year's activity. A rise in singles helped offset a 12 per cent decline in multiples brought about largely because of oversupplied rental markets in some Manitoba centres.

Residential resales edged up somewhat in the fourth quarter, but total sales for the year were down 7.3 per cent from 1992. As for resale prices, these rose slightly in 1993, although the rate of increase lagged behind inflation. While rental markets improved in Brandon, Thompson and Portage La Prairie during the fall of 1993, Winnipeg went the other way. The vacancy rate here nudged up marginally from 5.7 to 5.9 per cent.

## 1994-95 Outlook

### Economy Edging Up

Manitoba's economy advanced slightly in 1993, and the trend should continue, although the pace of growth will lag behind the national average for both 1994 and 1995.

Last year, the job market expanded faster than the labour force, resulting in the provincial unemployment rate falling from 9.6 to 9.2 per cent. Job gains occurred in two major sectors — manufacturing and construction. This turnaround should gradually strengthen consumer confidence in 1994, producing a positive, albeit modest, impact on Manitoba's housing market.

The province's manufacturing sector can look forward to healthy gains in 1994 and 1995. The economic recovery in the United States and a low Canadian dollar will combine to boost manufactured exports. Agriculture will benefit from strong canola prices this year as a result of the flooding in the American Midwest. Non-residential construction will receive a boost both this year and next from two initiatives — the \$150 million federally-funded Disease Control Lab in Winnipeg and the federal government's infrastructure program.

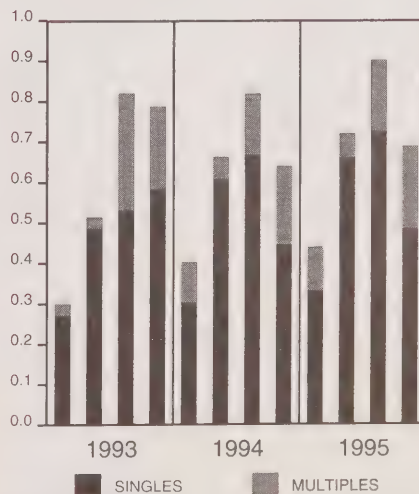
The principal barriers to growth in 1994 will be the continued restructuring of key sectors such as transportation, financial services,

utilities and health care. In addition, mining will be hampered by weak prices and sluggish demand for copper, nickel and zinc — the province's key minerals. Weak nickel prices have prompted Inco Ltd. in Thompson to scale down production this year, resulting in a reduced work-week.

Given the province's central location, the deregulation of the long-distance telephone industry should stimulate telecommunications in 1994 and 1995. The airline industry, however, could see a downturn as a result of the financial problems being faced by Canada's two major air carriers. Restructuring in the province's airline, rail and trucking

## Housing Starts MANITOBA

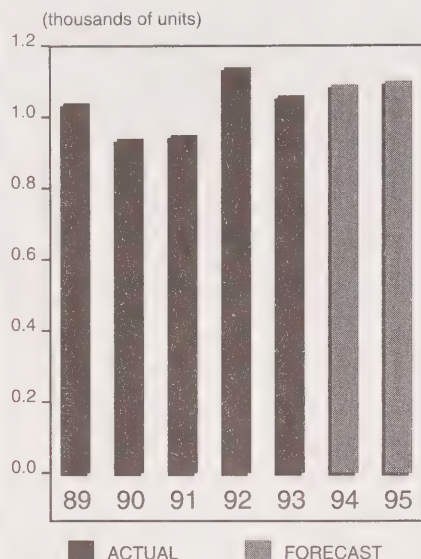
(thousands of units)



SOURCE: CMHC.  
1994-95 Forecast.



## Residential MLS Sales MANITOBA



SOURCES: The Canadian Real Estate Association.  
CMHC: Forecast.

mine construction activity in the first quarter of the year.

The multiple segment of the new-house market will contract this year because of high vacancy rates and cutbacks in social housing construction. Singles starts will improve modestly to 2,025 units, as record low interest rates and improvements in homeowner equity stimulate the move-up market. Strong first-time buyer activity fuelled a turnaround in Winnipeg's condominium market last year. A steady supply of existing units converted from rental stock will keep prices affordable in 1994 and temper new construction activity.

Attractive mortgage rates and modest price growth will help maintain resale activity in the province's four cities well above the 10,000 unit mark in 1994. Increased demand in higher-priced segments of the resale market should keep average price growth in line with the general rate of inflation. But this price hike will not be big enough to erode the strong

gains in affordability seen in recent years.

## Winnipeg Rental Market to Remain Weak in 1994

Despite the sluggish pace of new multiple-unit construction since 1990, Winnipeg's vacancy rates have stayed high. No significant improvement is foreseen, with the vacancy rate expected to hover just below 6 per cent in 1994. Affordability gains have allowed many renters to become homeowners, thereby freeing up rental units. The combined effect of these factors will negate any significant change in consumer demand for rental units over the forecast period. Given the weak market conditions and high competition among landlords, no significant improvement in rental rates are anticipated over the forecast period. ■

industries could result in significant job losses.

## Gradual Recovery for Housing Market for 1994

Housing starts and resale activity are expected to continue their gradual recovery during the forecast period. The impact of low interest rates and the two federal housing programs will be tempered by lower levels of pent-up demand from first-time buyers. However, the move-up buyer will become more active in 1994, as improved market balance helps boost homeowner equity. As such, home builders will focus more attention on the recovering move-up market. As occurred in early 1993, the threat of higher lumber prices could under-

### Key Provincial Indicators Manitoba

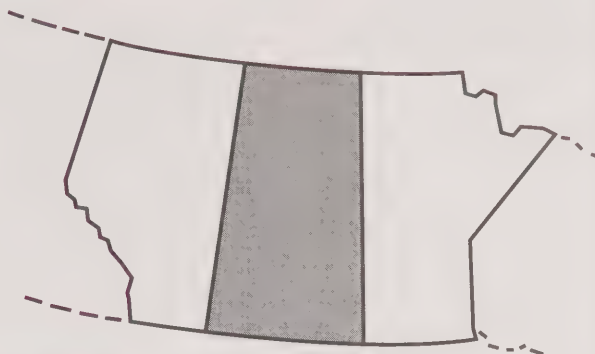
	1993	1994 <sup>(F)</sup>	1995 <sup>(F)</sup>
Real GDP (% Change)	1.1	2.5	2.8
Employment (% Change)	1.2	1.0	1.4
Unemployment Rate (%)	9.2	9.2	9.0
Housing Starts (Units)			
Total	2425	2525	2750
Singles	1874	2025	2200
Multiples	551	500	550
MLS Sales (Units)	10556	10850	11000
Average MLS Price (Dollars)	81739	83200	84860

SOURCES: CMHC, The Canadian Real Estate Association, Statistics Canada, and The Conference Board of Canada.  
(F) Forecast by CMHC.



# Saskatchewan

by Bruce McDonald and Paul Caton



## Highlights

- Favourable outlook for Saskatchewan's economy
- Housing starts rise in contrast to a decline in resale activity
- Rental demand expected to stabilize

## Demand Strong for Existing Housing and Rentals

During the last quarter of 1993, homes in the existing market were in steady demand, listing levels were historically low and the average price rose. Rental markets also saw good demand according to the rental vacancy survey which showed a decline in vacancies in October 1993 compared to October 1992. Average rents, however, remain unchanged from five years ago. Apartment owners are expected to seek rental increases in 1994 wherever rental units have become scarce.

By contrast, the new construction industry had a slow fourth quarter, bringing down 1993 housing starts to the same level as 1992. The slow-down was largely due to uncertainty caused by the federal election and poor harvesting conditions.

## 1994-95 Outlook

### Saskatchewan Economy Grows

Saskatchewan's economy is clearly on the mend and should perform well over the next two years. After growing by 3.4 per cent in 1993, GDP for the province will advance a further 2.6 per cent in 1994 and 3.0 per cent in 1995. The main engines of growth for both 1994 and 1995 will be primary industries and exports.

Agricultural output increased in 1993 after a disastrous 1992, but the sector is still depressed. The latest round of GATT negotiations should help inject new confidence into an industry not yet out of the doldrums. Fortunately, grain prices will begin a long, slow trend upwards in 1994. However, the Saskatchewan economy will not see the benefits for some time as farmers concentrate on retiring debt.

The mining industry in northern Saskatchewan will begin to recover modestly in 1994 and 1995 as the industrialized economies grow and world demand for most metals increases. The forecast is also favourable for the oil and gas industries. Drilling activity and production were up in 1993, with horizontal wells particularly successful. The emergence of this technology has renewed interest in Saskatchewan's reserves over the past few years. Junior oil and gas companies specializing in

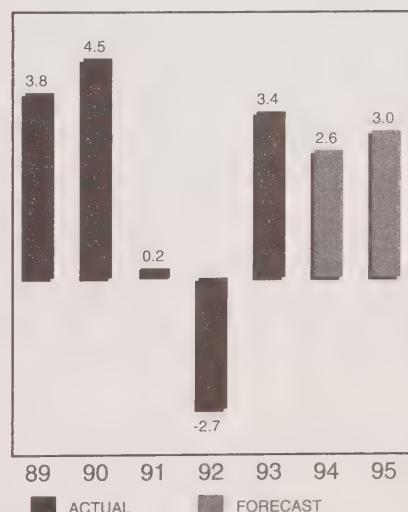
horizontal wells should remain very active in 1994 and 1995.

Non-metal production, particularly of potash, in the southern half of the province fell in 1993 because of weak demand in global markets. Potash production should inch up in 1994 and 1995 as growing world demand favours a low-cost Saskatchewan product.

Despite the economic recovery over the next two years, job creation in Saskatchewan will be slow. After a no-growth year in 1993, jobs will increase by 1,000 in 1994 and 2,000 in 1995. The labour force will also increase, however, so that 1994 will see an unemployment rate of 8.1 per cent, slightly higher than the 8.0 per

## Gross Domestic Product SASKATCHEWAN

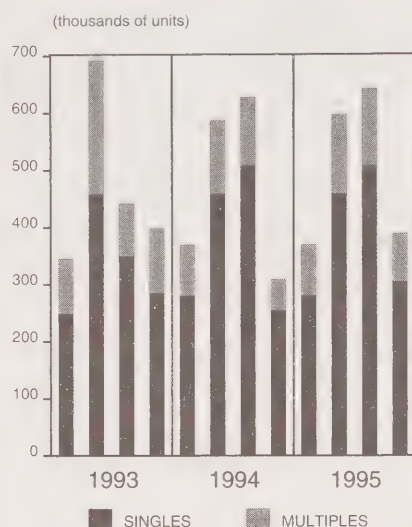
(% change)



SOURCE: The Conference Board of Canada.  
CMHC: Forecast.



## Housing Starts SASKATCHEWAN



SOURCE: CMHC.  
1994-95 Forecast.

cent rate of 1993. By 1995, job growth will bring down unemployment to 7.9 per cent.

Out-migration from Saskatchewan will increase slightly in 1994 and 1995 as employment prospects in nearby provinces improve. Saskatchewan's population will also become more urban since many rural households will move to cities in search of jobs.

## Housing markets to be buoyant in 1994 and 1995

The coming year will bring economic growth and greater consumer confidence to Saskatchewan, and housing markets will benefit as a result. Residential construction will

receive a special boost from rising resale prices and rents which will help make new homes more competitive. Meanwhile, vacancy rates in most parts of the province will likely stabilize, with supply and demand in a state of balance. Sales of existing homes, however, will be slow, due to a shortage of listings.

Most of the current demand for new single-family homes is from move-up buyers who possess substantial equity. The trend will continue in 1994, supporting a marginal increase in singles starts. Demand for singles is also driven by households that are moving from rural Saskatchewan to the city.

In the multiples market, demand is mainly from seniors and couples without children looking for condominiums as an alternative to single-family homes. The size of both groups is unlikely to change much for some time, resulting in stable

demand for condos in 1994 and 1995. Some of this activity will move to smaller centres as builders look for new markets.

The average price of resale housing in the province has increased steadily since December 1991. By the end of 1993, the average price was at its highest level in more than five years. The sales-to-active listings ratio, a leading indicator of price increases, was also at historically high levels at the end of 1993. Although the price gains were partly due to sales of more expensive homes, there is clear evidence that properties generally are selling for more.

Migration from rural areas will help maintain relatively low apartment vacancies in Regina and Saskatoon. This will enable property owners to boost rents to compensate for rising operating and maintenance costs. ■

### Key Provincial Indicators Saskatchewan

	1993	1994 <sup>(F)</sup>	1995 <sup>(F)</sup>
Real GDP (% Change)	3.4	2.6	3.0
Employment (% Change)	0.0	0.2	0.5
Unemployment Rate (%)	8.0	8.1	7.9
Housing Starts (Units)			
Total	1880	1895	2000
Singles	1342	1500	1550
Multiples	538	395	450
MLS Sales (Units)	7375	7100	7000
Average MLS Price (Dollars)	70698	72604	74712

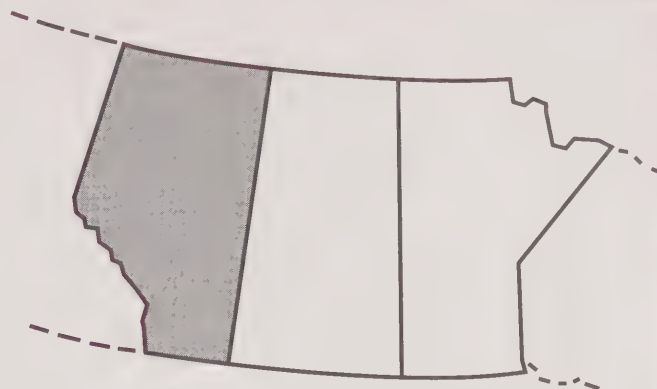
SOURCES: CMHC, The Canadian Real Estate Association, Statistics Canada, and The Conference Board of Canada.

(F) Forecast by CMHC.



# Alberta

by Laurie Scott and David Peever



## Highlights

- Market correction in northern Alberta reduces starts, resales
- Thriving natural gas industry supports construction in the south
- Economic growth supported by productivity gains, not job creation

## New Construction Drops 2 Per Cent

Although Alberta's residential construction industry was busy last year, it could not maintain the hectic pace set in 1992. New home construction slipped by 2 per cent, to 18,150 units. Still, this was the second best annual total the industry has had in the last decade.

After a poor first quarter, housing starts picked up, although more in some parts of the province than in others. Edmonton, for example, had a boom year in multi-unit starts, which offset a decline in singles construction. Calgary and other centres had strong third and fourth quarters, and this activity will provide momentum for early 1994. Rental markets were weak throughout the year, as affordable conditions spurred many former tenants to buy instead of rent.

In 1993, as in the year before, the housing market gained its strength from low interest rates and relative price stability. But a slow job market

held growth in check. The energy and export sectors failed to generate many new jobs even though these sectors performed well last year. Moreover, restructuring of major corporations and cuts to provincial spending partially offset employment growth in other sectors. The scarcity of new jobs undermined migration from other provinces for the third year in a row.

## 1994-95 Outlook

### Economic Outlook Mixed for 1994

Public-sector spending cuts and continued low investment levels will give Alberta's economy a bumpy ride in 1994. One bright spot will be the energy sector. Although oil prices will remain low, natural gas sales and prices will remain strong, and this, combined with the lower Canadian dollar, should continue to support exploration and development. Commodity exports to the U.S. and the Pacific Rim will also be a source of strength. These two sectors — energy and trade — will bring the provincial GDP up by 3.2 per cent in 1994. This is down marginally from an estimated 5.4 per cent growth rate last year.

Provincial and municipal spending cuts, however, will take their toll on employment and consumer confidence. Only 15,000 new jobs will be created this year, principally among smaller firms and in part-time

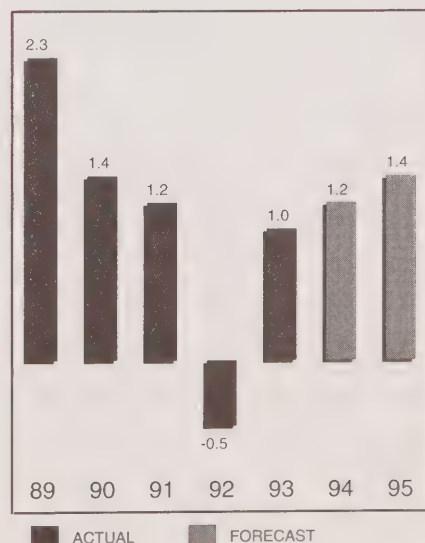
positions. In addition, wage roll-backs and lower incomes will keep consumers cautious, particularly about major spending decisions. Edmonton will be especially affected because of major reductions in health and education spending.

### Residential Construction to Decline in 1994

Alberta builders face a challenging environment in the year ahead. Lacklustre employment growth and migration will dampen demand for new houses. Particularly noticeable will be a decrease in numbers of first-time buyers, who have been supporting the new home market for the past two

## Employment ALBERTA

(% change)

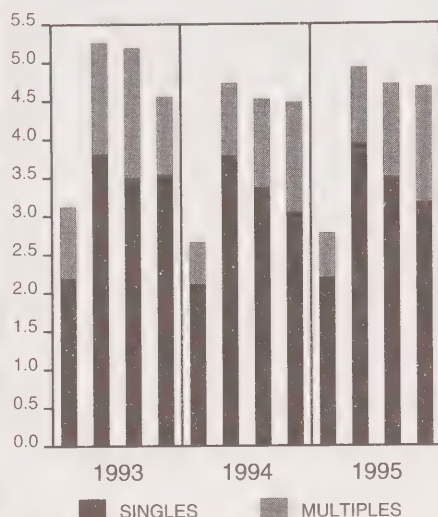


SOURCE: Statistics Canada.  
CMHC: Forecast.



## Housing Starts ALBERTA

(thousands of units)



SOURCE: CMHC.  
1994-95 Forecast.

years. Most new home sales in 1994 will be in the lower end of the move-up price ranges. Medium-priced houses will regain the share of the market lost to starter homes in 1993. The net result is a drop in housing starts from 1993 levels.

One problem facing builders this year is volatile lumber prices. From a trough in mid-1993, lumber prices again rose to an all-time high in early 1994, increasing construction costs by 2 to 4 per cent. Builders in many municipalities will also face additional off-site development levies as municipal governments transfer costs to the private sector.

Higher costs and lower demand will keep singles from totalling more than 12,300 units, a decline of 6 per cent over 1993. In 1995, a better job market outlook will allow for a modest increase, to 12,800 units.

As for multi-unit construction, this market is due to decline after a surprisingly strong year, particularly

in Edmonton. Multiple starts will total 4,100 units in 1994, down 20 per cent over 1993, with some improvement to 4,300 units in 1995. The demand potential for multiples is good because of an aging, cost-conscious population. However, high current inventories in Edmonton, as well as other centres, will reduce the need for new construction until 1995. Fortunately, Calgary will see slight growth in this sector, helping to support provincial totals.

## Resale Markets Supported by Affordability

The existing home market will continue to trend downwards in 1994, with only 34,500 sales forecast, a decline of 7 per cent over last year. Condominium resales will be particularly slow after a record year in 1993. Fewer first-time buyers and a general lack of consumer confidence caused by minimal employment growth will contribute to the decline. Some improvement is expected in centres in the southern half of the province, where the economy will support additional activity.

Resale prices will rise in 1994, but less than in 1993. The MLS residential price is expected to average \$119,500, a 2 per cent increase over last year. The larger markets will continue to experience a surplus of listings, suppressing price growth. This in turn will help maintain affordability for most markets.

## Calgary Leads Rental Market Out of Doldrums

Rental markets across Alberta suffered last year from high unemployment, low migration, and the trend toward homeownership. In Calgary, however, the market stabilized between April and October, suggesting the low point has been reached. In 1994, fewer home sales to first-time buyers will support a gradual decline in vacancy rates. While the Calgary market is expected to improve slightly early in the year, Edmonton's market will not recover until late 1994. The return to a balanced rental market, with a vacancy rate of about 3 per cent, is expected to take two to three years. ■

## Key Provincial Indicators Alberta

	1993	1994 <sup>(F)</sup>	1995 <sup>(F)</sup>
Real GDP (% Change)	5.4	3.2	3.5
Employment (% Change)	1.0	1.2	1.4
Unemployment Rate (%)	9.6	9.6	9.8
Housing Starts (Units)			
Total	18151	16400	17100
Singles	13040	12300	12800
Multiples	5111	4100	4300
MLS Sales (Units)	37024	34500	35500
Average MLS Price (Dollars)	117085	119500	122000

SOURCES: CMHC, The Canadian Real Estate Association, Statistics Canada, and The Conference Board of Canada.

(F) Forecast by CMHC.



# British Columbia

by Helmut Pastrick



## Highlights

- Strong finish to 1993
- Economy to improve and migration to stay high over forecast period
- Housing activity to remain high

## Upbeat End to 1993

The housing market closed out the year with a stellar performance as sales of existing homes revived and new-house construction reached its highest level in over three years. Sales were spurred by higher consumer confidence and lower mortgage rates. As well, housing prices began to firm up after edging down temporarily in the summer.

In the third quarter, the resale market turned down, but reversed again when lower mortgage rates appeared after the federal election. The supply of homes on the market was very high, and this contributed to price competition and to some price erosion. However, the sales upturn in the fourth quarter began to firm up market conditions.

Demand in resales is strongest in the mid- to lower-priced housing segments. Condominium units, especially ground-oriented units, sell very well since they are an affordable alternative to more expensive houses. Within the single-family market, lower-priced homes go faster than the more expensive properties.

New-home sales mirrored the resale market, with condominiums moving well, while sales of high-priced single family homes were slow. In Vancouver, the supply of completed and unsold houses priced higher than \$400,000 more than doubled, while inventory below that price fell slightly. The market is clearly very price sensitive.

Singles starts are down, a trend that began early in the year and continued steadily through to the end. Affordable houses are in high demand, but are difficult to produce in the large urbanized centres mainly because of the shortage of building sites. Large lots are available, and prices for them have declined, but builders are reluctant to produce the expensive, slow-selling homes that such lots accommodate. By contrast, lower-priced small lots are in high demand but hard to find in most municipalities.

The situation is somewhat better in the townhouse condominium market. Construction is steady and even edging upwards despite some supply limitations. Newly built townhouses sell very quickly which results in few completed and unsold units. Not surprisingly, prices are rising.

Meanwhile, apartment condominium construction sky-rocketed, with monthly starts records broken twice this past year and a record annual total set. Sales are at record levels as well. Although new construction is outpacing sales, resulting in a rise of

completed and unsold units, this increase is not yet excessive. For many new developments, financing is contingent upon a successful pre-construction selling program, and this curbs speculative excesses.

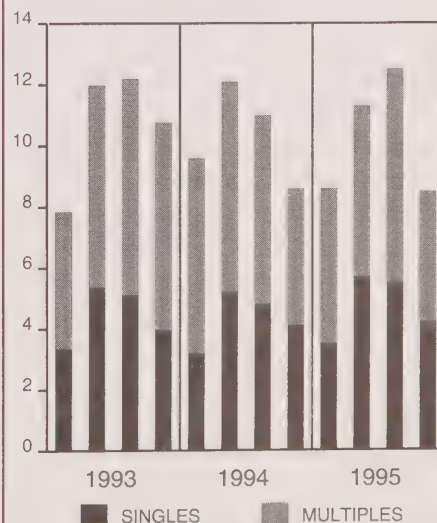
## 1994-95 Outlook

### B.C. Economy on the Mend

Over the next two years, British Columbia should again enjoy a fairly robust economy, fuelled by the export sector and continuing high population inflows. The export market will do well because of the weak dollar, keeping Canadian goods competitively priced, and because of

### Housing Starts BRITISH COLUMBIA

(thousands of units)



SOURCE: CMHC.  
1994-95 Forecast.



demand from the expanding economies in the U.S. in 1994-95 and Japan in 1995. The lumber and tourist industries will benefit the most. Pulp, paper, and newsprint will be slower to recover due to the growing use of recycled paper and external competition. Mining will stay in the doldrums due to low profitability.

Meanwhile, investment spending will grow only marginally. In the resource sectors, investment will be restrained by excess production capacity. Environmental restrictions and new technology will also limit resource industry spending on machinery and equipment. The real estate sector will also see some investment cutbacks because of high office vacancy rates in downtown Vancouver. And, finally, government is reducing capital spending.

A good-news story is the province's high population growth, which will create more demand for housing over the next two years. The years 1992 and 1993 saw large numbers of newcomers arrive in B.C., a trend that will continue. Although migration from other provinces will decline as central Canada's economy strengthens, immigration from abroad will increase and keep up the net total of migrants.

## Housing Market Steams Ahead

Housing demand in the province should stay high for some time because of very low mortgage rates, high in-migration, and an improving economy. New construction will be limited, however, by shortages of land and financing constraints.

Housing starts are forecast to be about 41,000 units in each of the next two years. In 1994, the lion's share of starts will be multiples because of their price advantage over single-family homes and because a limited lot supply favours multiples construction. But some municipalities are

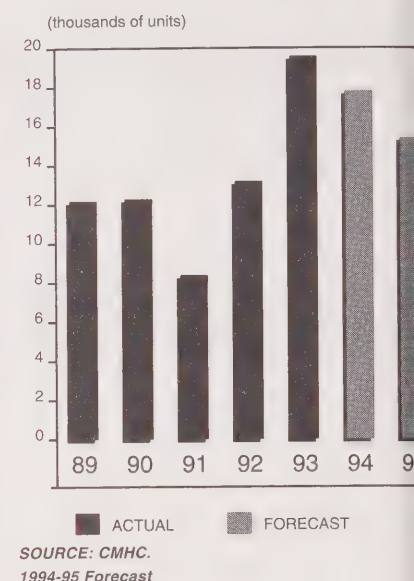
now supporting the development of more small-lot single-family houses. As a result, singles output is expected to rise in 1995.

Condominium starts will likely be down from their record levels of the year before, but still high. We can expect fewer high-rise apartment starts, since lenders are concerned about an oversupply on the market. But townhouse construction will likely increase, because demand exceeds supply. Low-rise apartments are also in a favourable demand-supply balance, and more construction is likely here as well.

Prices are expected to rise more moderately than last year, when they shot up more than 10 per cent. The moderation of price increases will be due in part to a larger supply of new homes on the market in 1994 and the smaller size of many of these homes. Still, new-home prices will rise more quickly than those of existing homes, and therefore some housing demand will shift to the resale market.

Resales should see more business next year because of continued low mortgage rates and improving consumer confidence. The more affordable homes will likely be in greatest demand.

## Condominium Starts Urban British Columbia



Rental production is forecast to grow moderately in response to lower vacancy rates, higher rents and low financing rates. Rental units will become available as many people switch from rentals to home ownership, thereby freeing up space for other tenants. However, demand will also strengthen as the job market expands and as more newcomers arrive in the province. ■

## Key Provincial Indicators British Columbia

	1993	1994 <sup>(F)</sup>	1995 <sup>(F)</sup>
Real GDP (% Change)	4.9	4.5	4.2
Employment (% Change)	2.8	3.5	3.5
Unemployment Rate (%)	9.7	9.0	8.5
Housing Starts (Units)			
Total	42807	41300	40900
Singles	17787	17300	18900
Multiples	25020	24000	22000
MLS Sales (Units)	80919	87000	85000
Average MLS Price (Dollars)	211992	225000	231000

SOURCES: CMHC, The Canadian Real Estate Association, Statistics Canada, and The Conference Board of Canada.

(F) Forecast by CMHC.



## Housing Starts

### Total (units and annual per cent change)

	1989	1990	1991	1992	1993	1994 <sup>(F)</sup>	1995 <sup>(F)</sup>
NFLD	3536	3245	2836	2271	2405	2300	2200
%	11.6	-8.2	-12.6	-19.9	5.9	-4.4	-4.3
PEI	815	762	553	644	645	690	650
%	-29.2	-6.5	-27.4	16.5	0.2	7.0	-5.8
NS	5359	5560	5173	4673	4282	4250	4150
%	-2.2	3.8	-7.0	-9.7	-8.4	-0.7	-2.4
NB	3681	2683	2872	3310	3693	3500	3700
%	1.7	-27.1	7.0	15.3	11.6	-5.2	5.7
QUE	49058	48070	44654	38228	34015	35700	39000
%	-15.5	-2.0	-7.1	-14.4	-11.0	5.0	9.2
ONT	93337	62649	52794	55772	45140	54000	58500
%	-6.6	-32.9	-15.7	5.6	-19.1	19.6	8.3
MAN	4084	3297	1950	2310	2425	2525	2750
%	-25.1	-19.3	-40.9	18.5	5.0	4.1	8.9
SASK	1906	1417	998	1869	1880	1895	2000
%	-50.6	-25.7	-29.6	87.3	0.6	0.8	5.5
ALTA	14712	17227	12492	18573	18151	16400	17100
%	29.5	17.1	-27.5	48.7	-2.3	-9.6	4.3
BC	38894	36720	31875	40621	42807	41300	40900
%	27.6	-5.6	-13.2	27.4	5.4	-3.5	-1.0
CAN	215382	181630	156197	168271	155443	*162600	*171000
%	-3.2	-15.7	-14.0	7.7	-7.6	4.6	5.2

SOURCE: CMHC.

(F) Forecast.

\* Total does not add due to rounding.



## Housing Starts

### Singles (units and annual per cent change)

	1989	1990	1991	1992	1993	1994 <sup>(F)</sup>	1995 <sup>(F)</sup>
NFLD	2932	2468	2135	1611	1559	1600	1625
%	3.3	-15.8	-13.5	-24.5	-3.2	2.6	1.6
PEI	456	483	376	421	460	520	500
%	-35.2	5.9	-22.2	12.0	9.3	13.0	-3.8
NS	3361	3639	2604	3232	3126	3000	3050
%	-13.1	8.3	-28.4	24.1	-3.3	-4.0	1.7
NB	2909	2137	2154	2391	2535	2700	2800
%	-1.5	-26.5	0.8	11.0	6.0	6.5	3.7
QUE	24493	24942	22531	18564	17136	18600	20800
%	-11.7	1.8	-9.7	-17.6	-7.7	8.5	11.8
ONT	53511	32425	26290	27868	26240	31500	34500
%	-6.3	-39.4	-18.9	6.0	-5.8	20.0	9.5
MAN	2966	2847	1589	1683	1874	2025	2200
%	-17.6	-4.0	-44.2	5.9	11.3	8.1	8.6
SASK	1383	1087	775	1484	1342	1500	1550
%	-38.4	-21.4	-28.7	91.5	-9.6	11.8	3.3
ALTA	12345	13809	9778	14125	13040	12300	12800
%	27.6	11.9	-29.2	44.5	-7.7	-5.7	4.1
BC	21612	18478	18335	21472	17787	17300	18900
%	21.7	-14.5	-0.8	17.1	-17.2	-2.7	9.2
CAN	125968	102315	86567	92851	85099	*91000	*98700
%	-1.9	-18.8	-15.4	7.3	-8.3	6.9	8.5

### Multiples (units and annual per cent change)

	1989	1990	1991	1992	1993	1994 <sup>(F)</sup>	1995 <sup>(F)</sup>
NFLD	604	777	701	660	846	700	575
%	83.6	28.6	-9.8	-5.8	28.2	-17.3	-17.9
PEI	359	279	177	223	185	170	150
%	-19.7	-22.3	-36.6	26.0	-17.0	-8.1	-11.8
NS	1998	1921	2569	1441	1156	1250	1100
%	24.0	-3.9	33.7	-43.9	-19.8	8.1	-12.0
NB	772	546	718	919	1158	800	900
%	15.6	-29.3	31.5	28.0	26.0	-30.9	12.5
QUE	24565	23128	22123	19664	16879	17100	18200
%	-19.0	-5.8	-4.3	-11.1	-14.2	1.3	6.4
ONT	39826	30224	26504	27904	18900	22500	24000
%	-7.0	-24.1	-12.3	5.3	-32.3	19.0	6.7
MAN	1118	450	361	627	551	500	550
%	-39.7	-59.7	-19.8	73.7	-12.1	-9.3	10.0
SASK	523	330	223	385	538	395	450
%	-67.5	-36.9	-32.4	72.6	39.7	-26.6	13.9
ALTA	2367	3418	2714	4448	5111	4100	4300
%	40.1	44.4	-20.6	63.9	14.9	-19.8	4.9
BC	17282	18242	13540	19149	25020	24000	22000
%	35.8	5.6	-25.8	41.4	30.7	-4.1	-8.3
CAN	89414	79315	69630	75420	70344	*71500	*72200
%	-5.0	-11.3	-12.2	8.3	-6.7	1.6	1.0

SOURCE: CMHC.

(F) Forecast.

\* Total does not add due to rounding.



# Housing Starts

## Multiples, by Area and Tenure (units)

	Centres 10,000 Population and Over						Other Areas	All Areas Total
	Rental/Private	Co-op/Assisted	Total Rental	Condo	Other*	Total		
NFLD								
1993	49	82	131	6	576	713	133	846
1994	50	12	62	30	550	642	58	700
1995	50	0	50	30	485	565	10	575
PEI								
1993	150	13	163	0	0	163	22	185
1994	140	10	150	0	0	150	20	170
1995	130	10	140	0	0	140	10	150
NS								
1993	579	30	609	0	469	1078	78	1156
1994	710	50	760	25	350	1135	115	1250
1995	630	50	680	20	300	1000	100	1100
NB								
1993	711	0	711	50	0	761	397	1158
1994	505	20	525	50	25	600	200	800
1995	555	20	575	50	25	650	250	900
QUE								
1993	4113	570	4683	5672	5527	15882	997	16879
1994	3700	500	4200	5800	5300	15300	1800	17100
1995	3700	500	4200	6500	5600	16300	1900	18200
ONT								
1993	2023	7195	9218	3268	5240	17726	1174	18900
1994	2550	6900	9450	5630	5990	21070	1430	22500
1995	2860	6590	9450	7030	6010	22490	1510	24000
MAN								
1993	160	0	160	204	32	396	155	551
1994	216	20	236	175	24	435	65	500
1995	275	20	295	120	35	450	100	550
SASK								
1993	10	140	150	308	41	499	39	538
1994	10	50	60	275	20	355	40	395
1995	20	40	60	300	50	410	40	450
ALTA								
1993	514	0	514	2625	1355	4494	617	5111
1994	400	0	400	2000	1000	3400	700	4100
1995	500	0	500	2200	1000	3700	600	4300
BC								
1993	2777	384	3161	19573	1141	23875	1145	25020
1994	3400	350	3750	17800	1250	22800	1200	24000
1995	3800	350	4150	15375	1375	20900	1100	22000
CAN								
1993	11086	8414	19500	31706	14381	65587	4757	70344
1994	11681	7912	19593	31785	14509	65887	5628	**71500
1995	12520	7580	20100	31625	14880	66605	5620	**72200

SOURCE: CMHC.

1993 Actual, 1994-95 Forecast.

\* Includes homeowner and unclassified units.

\*\* Total does not add due to rounding.



## Housing Starts

### Total New House Price Index\* (annual per cent change)

	1989	1990	1991	1992	1993 <sup>(E)</sup>	1994 <sup>(F)</sup>	1995 <sup>(F)</sup>
ST. JOHN'S	5.4	3.6	7.2	0.8	0.0	0.5	1.0
HALIFAX	1.8	0.3	-0.2	1.1	2.8	3.0	3.2
SAINT JOHN	3.5	1.4	0.9	0.9	0.0	1.0	1.0
QUÉBEC CITY	6.9	3.3	2.8	0.8	-0.6	1.0	1.5
MONTRÉAL	3.4	2.7	0.6	0.1	0.8	1.0	2.0
OTTAWA	5.6	3.9	-0.4	0.1	-0.5	1.0	1.0
TORONTO	22.4	-3.8	-15.1	-4.4	-2.4	-0.6	1.1
HAMILTON	8.4	2.3	-5.9	-3.6	-2.5	1.0	1.2
ST. CATHARINES	8.4	7.0	-3.5	-2.4	-3.1	-1.8	0.4
KITCHENER	10.3	2.0	-7.8	-3.0	0.9	2.0	2.7
LONDON	9.7	5.7	0.5	0.2	-0.1	1.7	2.4
WINDSOR	8.9	4.4	0.0	-0.1	-0.5	2.0	2.5
SUDBURY- THUNDER BAY	6.6	5.6	0.3	-0.5	1.9	1.7	1.8
WINNIPEG	-0.4	1.9	-0.2	-0.1	3.3	3.0	3.0
REGINA	1.6	1.8	2.4	4.6	5.3	2.0	2.0
SASKATOON	0.7	0.7	-0.8	0.5	3.3	3.0	3.0
CALGARY	7.2	12.4	-2.7	0.6	3.1	3.5	3.0
EDMONTON	8.3	15.9	2.2	0.9	2.8	2.7	1.3
VANCOUVER	15.6	5.7	-7.2	8.8	8.0	6.0	7.0
VICTORIA	10.0	7.0	-1.5	4.9	3.0	2.8	1.1
CANADA	13.2	1.5	-6.9	0.0	1.2	2.0	2.8

SOURCE: Statistics Canada.

(E) Estimate by CMHC.

(F) Forecast by CMHC.

\* Includes both house and land components.



## MLS Activity

### Total Residential Sales (units and annual per cent change)

	1989	1990	1991	1992	1993	1994 <sup>(F)</sup>	1995 <sup>(F)</sup>
NFLD	2040	1998	1892	1829	1867	1925	1975
%	-8.0	-2.1	-5.3	-3.3	2.1	3.1	2.6
PEI	626	742	764	604	654	720	700
%	24.0	18.5	3.0	-20.9	8.3	10.1	-2.8
NS	5863	6072	5811	7107	6837	7100	6900
%	2.2	3.6	-4.3	22.3	-3.8	3.8	-2.8
NB	3490	3316	3259	3550	3483	3600	3700
%	-0.8	-5.0	-1.7	8.9	-1.9	3.4	2.8
QUE	30618	28067	28005	31786	31875	32500	34000
%	0.4	-8.3	-0.2	13.5	0.3	2.0	4.6
ONT	142914	102792	126143	131380	121783	130000	135000
%	-11.0	-28.1	22.7	4.2	-7.3	6.7	3.8
MAN	10375	9356	9521	11383	10556	10850	11000
%	-6.8	-9.8	1.8	19.6	-7.3	2.8	1.4
SASK	6850	6405	6505	7829	7375	7100	7000
%	-6.2	-6.5	1.6	20.4	-5.8	-3.7	-1.4
ALTA	36249	33085	34360	38545	37024	34500	35500
%	19.4	-8.7	3.9	12.2	-3.9	-6.8	2.9
BC	83562	58027	84554	93564	80919	87000	85000
%	23.9	-30.6	45.7	10.7	-13.5	7.5	-2.3
CAN**	322587	249860	300814	327577	302373	*315300	*320800
%	1.0	-22.5	20.4	8.9	-7.7	4.3	1.7

### Average Residential Price (dollars and annual per cent change)

	1989	1990	1991	1992	1993	1994 <sup>(F)</sup>	1995 <sup>(F)</sup>
NFLD	83284	88654	90823	91591	91243	92500	93500
%	8.4	6.4	2.4	0.8	-0.4	1.4	1.1
PEI	74167	69284	71034	75570	72422	72500	75000
%	13.3	-6.6	2.5	6.4	-4.2	0.1	3.4
NS	82328	84649	86462	89361	90534	94700	97500
%	3.4	2.8	2.1	3.4	1.3	4.6	3.0
NB	75848	77752	80897	82478	84951	87500	90500
%	5.2	2.5	4.0	2.0	3.0	3.0	3.4
QUE	100517	100811	102795	102506	102447	104900	108000
%	5.4	0.3	2.0	-0.3	-0.1	2.4	3.0
ONT	184605	175859	173723	162827	157307	158800	163000
%	14.5	-4.7	-1.2	-6.3	-3.4	0.9	2.6
MAN	82401	79961	80445	80686	81739	83200	84860
%	2.5	-3.0	0.6	0.3	1.3	1.8	2.0
SASK	70417	68963	67697	68406	70698	72604	74712
%	3.0	-2.1	-1.8	1.0	3.4	2.7	2.9
ALTA	98542	108675	111482	113558	117085	119500	122000
%	10.0	10.3	2.6	1.9	3.1	2.1	2.1
BC	151504	157616	168235	189999	211992	225000	231000
%	25.2	4.0	6.7	12.9	11.6	6.1	2.7
CAN**	148776	143432	149749	150803	153548	*159800	*163200
%	13.1	-3.6	4.4	0.7	1.8	4.1	2.1

SOURCE: The Canadian Real Estate Association.

(F) Forecast by CMHC.

\* Total does not add due to rounding.

\*\* Excludes Yukon and Northwest Territories.



## Vacancy Rate

### Apartment Structures of Three Units & Over Privately Initiated, by Metropolitan Area (per cent)

	*Number of Units	1993		1994		1995	
		APR	OCT	APR <sup>(F)</sup>	OCT <sup>(F)</sup>	APR <sup>(F)</sup>	OCT <sup>(F)</sup>
CALGARY	47777	7.0	5.9	6.0	5.2	5.0	4.3
CHICOUTIMI- JONQUIÈRE	8211	5.4	6.3	5.4	5.9	5.2	5.7
EDMONTON	66706	5.5	6.5	7.4	7.2	7.0	6.0
HALIFAX	30585	7.1	6.3	6.1	5.5	6.1	5.2
HAMILTON	43064	2.8	2.7	2.6	2.6	2.5	2.4
KITCHENER	26431	5.3	4.3	4.2	4.1	4.1	3.9
LONDON	40439	3.9	3.8	3.5	3.2	3.2	2.9
MONTREAL	456705	6.4	7.7	6.3	7.3	6.0	6.7
OSHAWA	11162	5.8	4.6	4.0	3.5	3.0	2.5
OTTAWA	61584	1.8	1.8	2.3	1.9	1.9	1.7
HULL	18109	3.6	4.5	4.9	4.5	4.5	4.2
QUEBEC CITY	70814	5.3	6.0	5.1	4.6	4.2	4.0
REGINA	12566	4.6	3.6	4.5	3.6	4.4	3.5
ST. CATHARINES- NIAGARA	16795	5.3	4.9	4.7	4.2	3.9	3.6
SAINT JOHN	7935	7.8	6.3	7.5	6.0	7.0	5.5
ST. JOHN'S	4803	7.9	8.8	9.5	8.5	9.2	8.2
SASKATOON	17797	6.7	2.7	2.7	3.0	3.5	3.5
SHERBROOKE	22498	8.0	7.6	6.2	5.9	5.5	5.5
SUDBURY	10293	5.1	3.8	3.5	3.0	3.3	2.8
THUNDER BAY	5370	3.2	2.7	2.9	3.0	3.0	3.1
TORONTO	294814	2.1	2.0	2.2	2.0	1.8	1.5
TROIS-RIVIÈRES	15555	7.0	6.5	5.8	5.3	5.5	5.0
VANCOUVER	110139	2.0	1.1	1.5	1.3	1.3	0.9
VICTORIA	24806	2.1	1.8	2.2	1.5	2.5	1.9
WINDSOR	14318	3.0	2.7	2.3	1.3	1.0	0.8
WINNIPEG	56867	5.7	5.9	5.7	5.5	5.1	4.7
CANADA**	1496143	4.7	4.9	4.5	4.6	4.1	4.0

SOURCE: CMHC.

(F) Forecast.

\* Total number of units in October 1993.

\*\* Weighted average of Metropolitan areas surveyed.



## Housing Completions

**Total**  
(units and annual per cent change)

	1989	1990	1991	1992	1993	1994 <sup>(F)</sup>	1995 <sup>(F)</sup>
NFLD	3783	3127	3219	2556	2457	2181	2143
%	17.5	-17.3	2.9	-20.6	-3.9	-11.2	-1.7
PEI	927	683	722	595	674	665	660
%	-6.6	-26.3	5.7	-17.6	13.3	-1.3	-0.8
NS	4904	5477	4905	5485	4545	5050	5100
%	-15.3	11.7	-10.4	11.8	-17.1	11.1	1.0
NB	3383	2959	2858	3051	3631	3600	3800
%	-10.9	-12.5	-3.4	6.8	19.0	-0.9	5.6
QUE	50855	52630	42720	42323	34859	34600	38000
%	-22.0	3.5	-18.8	-0.9	-17.6	-0.7	9.8
ONT	99817	80562	59622	63134	51130	50500	53500
%	12.5	-19.3	-26.0	5.9	-19.0	-1.2	5.9
MAN	6461	4028	2190	2190	2572	2650	2860
%	14.9	-37.7	-45.6	0.0	17.4	3.0	7.9
SASK	2743	1575	1241	1554	2020	1840	1965
%	-37.0	-42.6	-21.2	25.2	30.0	-8.9	6.8
ALTA	12763	17467	12959	16307	17859	17255	16854
%	13.9	36.9	-25.8	25.8	9.5	-3.4	-2.3
BC	31735	37655	29578	36050	42047	41650	41450
%	15.0	18.7	-21.5	21.9	16.6	-0.9	-0.5
CAN	217371	206163	160014	173245	161794	*160000	*166000
%	0.4	-5.2	-22.4	8.3	-6.6	-1.1	3.8

SOURCE: CMHC.

(F) Forecast.

\* Total does not add due to rounding.



## Housing Completions

### Singles (units and annual per cent change)

	1989	1990	1991	1992	1993	1994 <sup>(F)</sup>	1995 <sup>(F)</sup>
NFLD	3217	2434	2402	1869	1647	1468	1498
%	8.6	-24.3	-1.3	-22.2	-11.9	-10.9	2.0
PEI	539	391	438	392	493	490	485
%	-20.5	-27.5	12.0	-10.5	25.8	-0.6	-1.0
NS	3274	3473	2739	3340	3302	3200	3300
%	-9.0	6.1	-21.1	21.9	-1.1	-3.1	3.1
NB	2773	2332	2136	2244	2602	2400	2500
%	-10.9	-15.9	-8.4	5.1	16.0	-7.8	4.2
QUE	24456	27199	21190	19590	17618	18000	20300
%	-15.6	11.2	-22.1	-7.6	-10.1	2.2	12.8
ONT	54732	43130	27499	30193	27470	28950	32300
%	-5.8	-21.2	-36.2	9.8	-9.0	5.4	11.6
MAN	3263	3109	1810	1744	1925	2065	2240
%	-16.7	-4.7	-41.8	-3.6	10.4	7.3	8.5
SASK	1523	1112	884	1278	1487	1450	1525
%	-39.7	-27.0	-20.5	44.6	16.4	-2.5	5.2
ALTA	10956	14699	9967	12873	13295	12630	12717
%	14.3	34.2	-32.2	29.2	3.3	-5.0	0.7
BC	18736	20111	16072	19835	20358	17750	18200
%	18.7	7.3	-20.1	23.4	2.6	-12.8	2.5
CAN	123469	117990	85137	93358	90197	*88000	*95000
%	-4.4	-4.4	-27.8	9.7	-3.4	-2.4	8.0

### Multiples (units and annual per cent change)

	1989	1990	1991	1992	1993	1994 <sup>(F)</sup>	1995 <sup>(F)</sup>
NFLD	566	693	817	687	810	713	645
%	118.5	22.4	17.9	-15.9	17.9	-12.0	-9.5
PEI	388	292	284	203	181	175	175
%	23.2	-24.7	-2.7	-28.5	-10.8	-3.3	0.0
NS	1630	2004	2166	2145	1243	1850	1800
%	-25.8	22.9	8.1	-1.0	-42.1	48.8	-2.7
NB	610	627	722	807	1029	1200	1300
%	-11.2	2.8	15.2	11.8	27.5	16.6	8.3
QUE	26399	25431	21530	22733	17241	16600	17700
%	-27.2	-3.7	-15.3	5.6	-24.2	-3.7	6.6
ONT	45085	37432	32123	32941	23660	21550	21200
%	47.1	-17.0	-14.2	2.5	-28.2	-8.9	-1.6
MAN	3198	919	380	446	647	585	620
%	87.6	-71.3	-58.7	17.4	45.1	-9.6	6.0
SASK	1220	463	357	276	533	390	440
%	-33.2	-62.0	-22.9	-22.7	93.1	-26.8	12.8
ALTA	1807	2768	2992	3434	4564	4625	4137
%	11.9	53.2	8.1	14.8	32.9	1.3	-10.6
BC	12999	17544	13506	16215	21689	23900	23250
%	10.0	35.0	-23.0	20.1	33.8	10.2	-2.7
CAN	93902	88173	74877	79887	71597	*72000	*71000
%	7.5	-6.1	-15.1	6.7	-10.4	0.6	-1.4

SOURCE: CMHC.

(F) Forecast.

\* Total does not add due to rounding.



## Labour Markets

### Employment (annual per cent change)

	1989	1990	1991	1992	1993	1994 <sup>(F)</sup>	1995 <sup>(F)</sup>
NFLD	4.1	0.0	-2.0	-4.6	-1.1	0.0	0.5
PEI	0.0	1.9	-3.6	0.0	0.0	2.2	1.8
NS	1.9	1.6	-2.1	-2.7	-1.1	0.6	1.1
NB	1.4	2.5	-1.7	1.0	0.7	1.4	2.0
QUE	1.0	0.8	-2.2	-1.1	0.2	1.6	2.0
ONT	1.8	-0.2	-3.4	-1.2	1.7	2.1	2.7
MAN	0.8	1.4	-2.4	-1.8	1.2	1.0	1.4
SASK	-1.1	0.7	-0.2	-1.8	0.0	0.2	0.5
ALTA	2.3	1.4	1.2	-0.5	1.0	1.2	1.4
BC	5.6	2.4	1.4	1.9	2.8	3.5	3.5
CAN	2.0	0.7	-1.8	-0.8	1.2	1.9	2.3

### Unemployment Rate (per cent)

	1989	1990	1991	1992	1993	1994 <sup>(F)</sup>	1995 <sup>(F)</sup>
NFLD	15.8	17.1	18.4	20.2	20.2	20.2	20.1
PEI	14.1	14.9	16.8	17.7	17.7	17.0	16.8
NS	9.9	10.5	12.0	13.1	14.6	14.7	14.6
NB	12.5	12.1	12.7	12.8	12.6	12.5	11.9
QUE	9.3	10.1	11.9	12.8	13.1	12.9	12.6
ONT	5.1	6.3	9.6	10.8	10.6	10.4	10.2
MAN	7.5	7.2	8.8	9.6	9.2	9.2	9.0
SASK	7.4	7.0	7.4	8.2	8.0	8.1	7.9
ALTA	7.2	7.0	8.2	9.5	9.6	9.6	9.8
BC	9.1	8.2	9.9	10.4	9.7	9.0	8.5
CAN	7.5	8.1	10.3	11.3	11.2	11.0	10.8

SOURCE: Statistics Canada.  
(F) Forecast by CMHC.



## Demographics

### Total Net Migration (number of persons)

	1989	1990	1991	1992	1993 <sup>(E)</sup>	1994 <sup>(F)</sup>	1995 <sup>(F)</sup>
NFLD	-1974	-835	-1785	-3737	-3300	-3900	-4400
PEI	24	-134	-1558	527	600	700	500
NS	2259	612	172	-2761	-2600	-1900	-1200
NB	74	870	-2495	-2772	-2000	-1700	-1200
QUE	27443	18583	19730	18584	10000	14600	18500
ONT	133708	75708	53512	57489	71500	80500	88500
MAN	-6061	-3903	-5932	-5854	-5300	-4900	-4850
SASK	-17207	-14028	-9304	-8122	-8500	-9500	-10500
ALTA	15008	23017	8260	1641	2000	7000	12400
BC	65677	64035	50094	60296	75000	69500	65000
CAN**	218951	163925	110694	115291	137400	150400	162750

SOURCE: Statistics Canada.

(E) Estimate by CMHC.

(F) Forecast by CMHC.

\* Sum of the interprovincial migration, international migration and non-permanent residents.

\*\* Excludes Yukon and Northwest Territories.



## Major Housing Indicators

(Seasonally adjusted at annual rates  
levels and quarterly per cent change)

	92:Q2	92:Q3	92:Q4	93:Q1	93:Q2	93:Q3	93:Q4
<b>New housing</b>							
Building permits, units, thousands	167.8	165.3	164.6	150.1	152.6	161.4	..
%	-5.9	-1.5	-0.4	-8.8	1.7	5.7	..
Housing starts, total, thousands	168	169	169	146	154	160	165
%	-0.4	0.4	-1	-13.6	5.5	3.9	3.4
Housing starts, singles, thousands	92	92	100	74	80	79	80
%	7.9	0.4	8.8	-25.7	7.0	-0.8	1.4
Housing starts, multiples, thousands	76	77	68	71	74	81	85
%	-8.8	0.4	-10.7	3.9	3.9	8.9	5.5
Housing completions, total, thousands	175	177	171	152	159	181	155
%	2.4	1.0	-3.2	-10.9	4.2	14.1	-14.4
New house price index, 1986=100	134.0	134.6	134.9	135.2	135.9	136.4	136.5
%	0.2	0.4	0.2	0.2	0.5	0.4	0.1
<b>Existing housing</b>							
MLS resales, units, thousands	312.7	342.0	328.2	263.5	315.7	308.5	315.5
%	-4.5	9.4	-4.0	-19.7	19.8	-2.3	2.3
MLS average resale price, \$C thousands	149.6	153.1	154.2	152.4	153.8	154.3	153.8
%	1.8	2.3	0.7	-1.2	0.9	0.3	-0.3
<b>Mortgage market</b>							
Mortgages outstanding, \$C billions	279.1	285.0	292.3	297.1	301.3	304.8	..
%	2.4	2.1	2.6	1.6	1.4	1.2	..
Mortgage approvals, \$C billions	73.6	85.6	90.8	64.5	70.1	77.4	..
%	-11.5	16.3	6.1	-29.0	8.7	10.4	..
1-year mortgage rate, per cent*	8.17	6.50	8.15	7.55	7.25	6.50	6.33
5-year mortgage rate, per cent*	9.93	8.71	9.42	9.32	8.95	8.75	8.08
<b>Residential investment**</b>							
Total, \$1986 billions	32.6	32.9	33.0	31.1	31.7	31.0	..
%	0.3	0.9	0.1	-5.8	2.1	-2.1	..
New, \$1986 billions	15.4	15.5	15.7	15.3	14.8	14.4	..
%	-0.5	0.4	1.5	-3.1	-2.9	-2.8	..
Alterations, \$1986 billions	10.1	10.1	10.3	9.9	9.8	9.8	..
%	0.5	-0.5	1.6	-3.9	-1.1	1.0	..
Transfer costs, \$1986 billions	7.1	7.3	7.0	5.9	7.1	6.8	..
%	1.7	4.1	-5.2	-14.6	19.9	-4.7	..
Deflator, 1986=100	133.7	135.0	135.5	136.2	138.1	138.6	..
%	0.8	1.0	0.4	0.5	1.4	0.4	..

SOURCES: CMHC, Statistics Canada, Bank of Canada, The Canadian Real Estate Association.

Figures not available.

All indicators are seasonally adjusted except 1- and 5-year mortgage rates.

Residential investment includes outlays for new permanent housing; conversion costs; the cost of alterations and improvements; supplementary costs; and transfer costs.























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**NATIONAL  
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QUARTER  
1994**



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Canada



**NATIONAL HOUSING OUTLOOK  
SECOND QUARTER 1994**

**MARKET ANALYSIS CENTRE  
CANADA MORTGAGE AND HOUSING CORPORATION**

Forecast prepared April, 1994



For further national information call the Market Analysis Centre:

Anh Trinh	– Director	(613) 748-2577
Gilles Proulx	– Chief Economist	(613) 748-2574
Marc Pellerin	– Economist, Capital Markets	(613) 748-2506
Michel Laurence	– Economist, Sectoral Analysis	(613) 748-2737
Leonard FitzPatrick	– Economist, Modelling and Forecasting	(613) 748-2552
Greg Goy	– Manager, Local Markets Analysis	(613) 748-2582

For further provincial information please contact:

Brian Martin	(Newfoundland)	(709) 772-4034
Darrin Keough	(Newfoundland)	(709) 772-2096
Ralph Freeze	(Prince Edward Island)	(902) 566-7467
André Moore	(Nova Scotia)	(902) 426-8465
Anne Traboulsee	(Nova Scotia)	(902) 426-8465
Al Coady	(New Brunswick)	(506) 452-3796
Todd Selby	(New Brunswick)	(506) 452-3381
Jean-François Dion	(Quebec)	(514) 283-4488
Alex Medow	(Ontario)	(416) 495-2000
Richard Goatcher	(Manitoba)	(204) 983-5648
Terry Kozak	(Manitoba)	(204) 983-8503
Paul Caton	(Saskatchewan)	(306) 975-4900
Bruce McDonald	(Saskatchewan)	(306) 780-5889
Laurie Scott	(Alberta)	(403) 482-8700
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Canada Mortgage and Housing Corporation  
700 Montreal Road  
Ottawa, Ontario  
K1A 0P7  
Tel. No: (613) 748-2969  
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## First quarter shows stronger resale but weaker construction

Housing markets confronted diverging trends during the opening three months of 1994. Extreme cold in the Atlantic and central provinces cut into activity at the start of the year. At the same time, a stronger economy with growing employment and low interest rates lifted consumer confidence and brought a gradual increase in housing demand. The net result was a moderate advance on the resale market but a slight decline in housing construction.

Housing starts fell to an annual rate of 151,900 units. This is 6.5 per cent less than in the closing quarter of 1993, but slightly better than the first quarter in 1993. Both single-detached and multiple starts pulled the total down.

Resale markets improved moderately as sales through the MLS\* system rose nearly 4 per cent on a quarter-over-quarter basis, reaching an annual rate (adjusted for normal seasonal patterns) of 29,500 units. Getting more attention was the 25 per cent gain over the start of 1993. This strong performance is qualified, however, by the very weak sales at the start of last year.

Regionally, new construction posted some advances in Quebec and the Prairie region. Housing starts inched down in British Columbia while Ontario and the Atlantic region saw larger declines in activity.

Multiple Listing Service (MLS) is a registered certification mark owned by the Canadian Real Estate Association.

Sales on the existing market firmed up in almost all regions, with southern Ontario showing the most improved performance.

***Housing starts to reach 157,900 units this year and 166,100 in 1995***

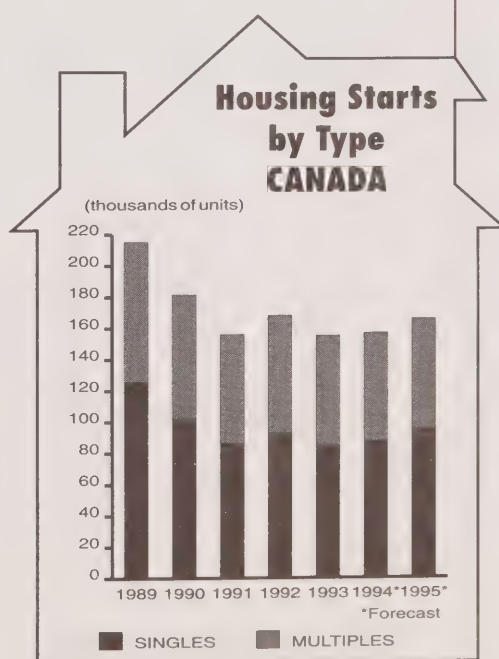
## Higher rates may hurt the economy's recovery

The recent jump in interest rates has prompted a review of Canada's economic prospects. Of special concern is how these higher rates could offset strong demand from the U.S. and a firmer recovery in domestic demand. The higher rates come from the U.S., where the economy's business cycle is more advanced. This has led to low unemployment, a nearly fully used capacity and fears of a resurgence of inflation.

Canadian interest rates rose even more than U.S. rates, and the Canadian dollar weakened compared with its U.S. counterpart. In March, for instance, mortgage interest rates were raised three times: the one-year mortgage rate rose by 2.2 percentage points, from 5.75 to 7.95 per cent. The five-year rate rose by a similar amount, from 7.25 to 9.50 per cent. Although the increase is significant, interest rates remain low.

Canada's economy and its housing markets, therefore, face a difficulty. On the one hand, a partial business recovery accompanied by stable prices. On the other, higher interest rates that would be more appropriate at the end of a business expansion when the policy goal is to slow the economy and prevent inflation pressures. Will those rates keep rising? Will they choke the housing industry and other interest-sensitive sectors?

First, the prospects for rates. Long-term interest rates tend to over-react when monetary policies are tightened. It is expected, however, that long-term rates in the U.S. will retreat after the initial over-reaction. By comparison, Canadian rates are expected to see a more general retreat from current levels because of a better price performance and a weaker economy. On average, mortgage rates should not differ much from last year's levels. One-year



SOURCE: CMHC.



## House prices and construction costs going up

Profit margins in the residential construction industry are expected to remain tight this year but start to recover in 1995. While house prices and building costs will increase over the forecast period, house prices will advance faster starting next year.

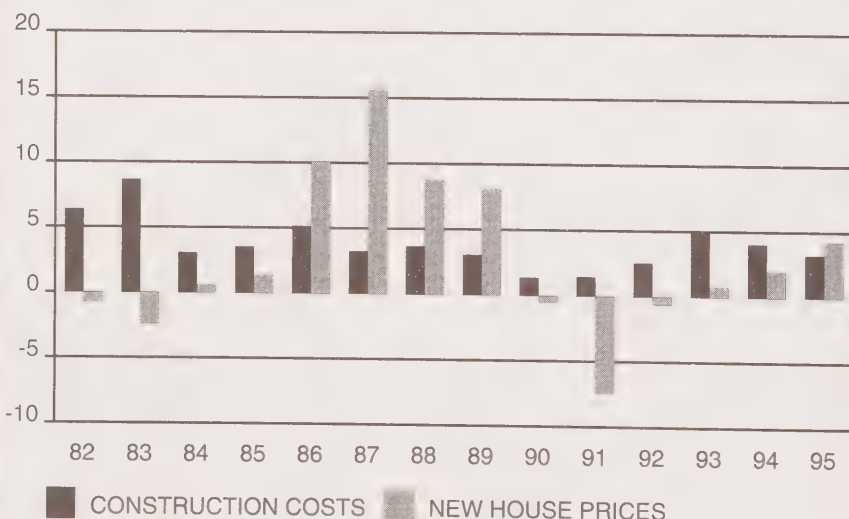
Increases in the new house price index, excluding the land component, will speed up through 1995. Improved demand for housing, especially for new custom-built homes, will lift prices about 2 per cent in 1994 and more than 4 per cent in 1995.

Construction costs will rise at a more moderate pace in 1994 and 1995 than in 1993. This year's prospects can be attributed to limited increases in labour costs. A slack labour market and expectations of lower inflation will cap wage gains in the construction industry. Labour costs will again move up in 1995 as housing activity rebounds more strongly. However, modest advances in material costs will dampen overall building costs next year.

Since wood costs account for about 30 per cent of total material costs, a surge in lumber prices, as much as 40 per cent, accounts for much of the 7 per cent rise in overall material costs in 1993. A less dramatic increase in lumber prices will slow down growth in material costs over the forecast period. On the basis of demand and supply conditions alone, average lumber prices should move above 1993 levels in 1994 and 1995. However, panic buying and speculation have pushed prices higher than warranted in 1993. A return to more normal buying patterns will lead to 1994 average prices near 1993 levels. Lumber prices will increase again in 1995, but the rate will be closer to 10 per cent.

### Construction Costs and New House Prices — 1982-1995

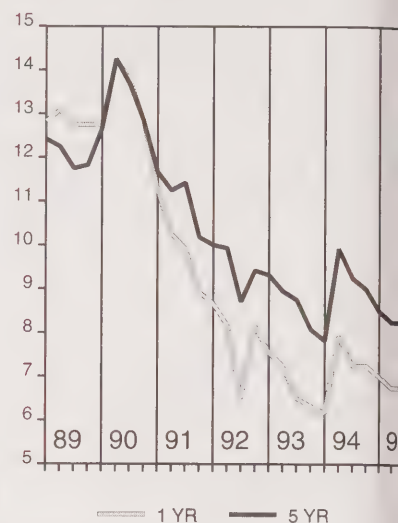
(% change)



Source: Statistics Canada, 1994-95 CMHC forecast.

### Mortgage Rates at Major Financial Institutions

(per cent)



SOURCE: Bank of Canada Review.  
1994-95 CMHC forecast.

mortgage rates should return toward 7 per cent this year and next. Five-year rates could fall back toward 9 per cent later this year and hover in the 8.25 to 8.50 per cent range next year.

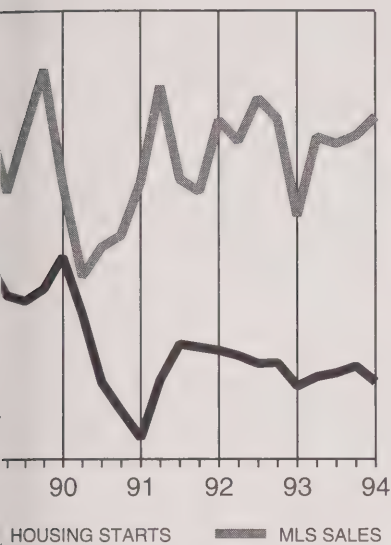
Second, the economic impact. While higher interest rates will hurt housing and other interest-sensitive sectors, their impact on the economy will be partly offset by a lower dollar. This lower dollar should benefit exports and import-competing sectors of the economy.

The economy should expand by 3.1 per cent this year and 3.4 per cent in 1995. Employment is expected to advance by 1.5 to 2.0 per cent this year and next, but still leave the unemployment rate in double digit territory.



## Housing Starts and Residential MLS Sales Canada

(in thousands of units SAAR)



SOURCE: CMHC; The Canadian Real Estate Association.

## On balance, housing demand will inch up

Improved economic conditions and growing employment this year and next will boost housing demand. The cumulative impact of those improvements shows up in consumer confidence. The Conference Board of Canada's Index of Consumer Attitudes posted a large jump in the first quarter, bringing its value back to pre-recession levels.

Another positive feature for housing is that the Home Buyers' Plan became a permanent program in the federal government's February budget. This will help first-time buyers become home owners, although it will possibly reduce the demand for rental dwellings. As the program was scheduled to end in March 1994, the expected deadline may have speeded up some buying decisions, which may lead to a short period of stability.

Higher interest rates will work to dampen housing demand. The recent rise, however, may also speed up some spring buying.

Overall, the demand for housing should improve modestly because of these forces. Part of that demand, however, can be met from the existing vacant supply of rental apartments and new units on the ownership market.

For builders, the move-up market — single units and more expensive units in general — offers the best chances of improvement. The first-time buyer market remains favourable, but no significant improvements are expected. New rental construction offers the least interesting prospects because of slow demand and excess inventories.

New home construction should increase by less than 2 per cent this year to 157,900 units, and by around 5 per cent next year to 166,100 units. Single-detached construction will outperform the multiple-unit sector. Single starts are expected to gain 4 per cent this year to 88,500 and 8 per cent next year to 95,500 units. Multiple-unit construction should drop slightly this year to 69,300 units, before recovering to 70,500 units in 1995.

Sales of existing homes should increase slightly in both years, reflecting the trends of the first-time buyers market. Unit sales should rise around 3 per cent this year and next to 311,500 units and 320,500 units. The average resale price may advance by around 3 per cent this year and 2 per cent in 1995.

This forecast of housing activity is slightly lower than in the most recent issue of the National Housing Outlook. The revisions mainly reflect the impact

of higher interest rates and an economy slowing its growth.

These national trends, of course, are only an average of varying and sometimes diverging provincial trends. Overall, Ontario, Quebec and Manitoba should show the best improvement as their diversified economic base stands to benefit from the economic recovery.

By contrast, markets in British Columbia and Alberta will see a consolidation with lower activity but from a strong base. Saskatchewan markets will advance, but mostly next year.

In the Atlantic region, P.E.I. stands to gain from the fixed link project this year. New Brunswick activity will recover next year. Newfoundland and Nova Scotia are most affected by the fishery situation and government cut-backs: housing starts will decline this year and next. ■



## Newfoundland

### *Rural areas suffered largest declines*

The provincial economy continues to suffer from high levels of unemployment, cutbacks in government spending and uncertainty over the future of the fishery. The residential construction industry will be most affected by these conditions with total housing starts forecast to record marginal declines this year. First-quarter activity, which was heavily concentrated in the St. John's region, fell 43.8 per cent from a year earlier. Although the drop in starts was spread throughout the province, rural areas suffered the largest declines. Low inventories of both new single-detached and two-apartment dwellings coupled with demand for home ownership will stimulate new home construction for the rest of the year. However, fewer multiple-unit starts, particularly federal- and provincial-assisted housing, will lower starts to 2,300 units in 1994.

Rising interest rates late in the first quarter provided a short-term boost to the resale market as MLS sales increased 16.4 per cent over 1993 levels. Given uncertainty over the threat of widespread public sector strikes and the dampening effect that higher interest rates will have on affordability, this pace of recovery will not be maintained for the rest of 1994. Provincial MLS sales are forecast to rise marginally to 1,925 units in 1994. With many of these homes sold to first-time buyers, the average MLS house price will increase by less than 1 per cent.

Consistent with the economic outlook, the recovery in housing

demand will be mixed in 1995. MLS sales are forecast to increase for the third consecutive year to 1,975 units. The persistence of oversupply in the rental market will suppress multiple-unit construction with housing starts expected to fall slightly to 2,200 units.

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## *Ownership programs steady housing markets in Nova Scotia*

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## Prince Edward Island

### *Moderate growth expected this year*

Economic growth for 1994 has been downgraded from the first-quarter forecast. Work on the fixed link this year will not be extremely significant from a direct employment perspective. During 1994, construction of the fabrication yard will require 200-300 labourers on site. However, indirect benefits will trickle down to the transportation and construction industries. An additional impact on the economy will come from a 7.5 per cent reduction in wages and expenditures announced in the recent provincial budget.

These developments are expected to affect resale markets more than new construction. Strong potato prices last winter will encourage new home building

in rural P.E.I. But, the combination of provincial government reductions and increased mortgage rates has led to a 6 per cent drop in the sales forecast. Lower consumer confidence and increased ownership costs will make purchasing decisions a disappearing thought for some P.E.I. households.

## Nova Scotia

### *Housing market stable*

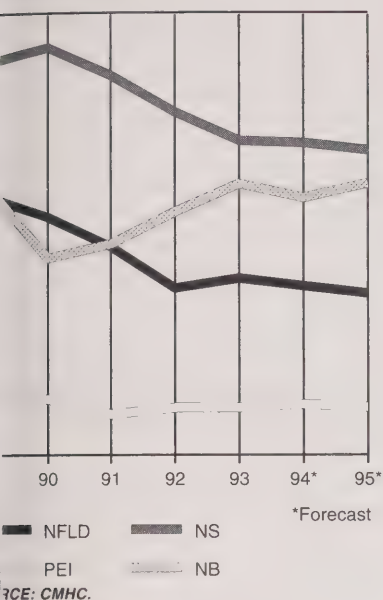
There is little change from the first-quarter forecast, with total housing starts expected to decline by less than 1 per cent in 1994 and by a further 2.3 per cent in 1995. Resale housing activity will remain relatively high in Nova Scotia during 1994 and 1995, although it will drop gradually from the record high set in 1992. This level of activity is anticipated in spite of lower than expected starts in the first quarter, pending military base closures (in late 1994, 1995 and 1996) and fluctuating mortgage rates.

An unusually harsh winter with record cold temperatures was a key factor influencing the decline in starts in the first quarter. Because starts were put on hold until warmer weather, a better second quarter is expected. As well, pending budget changes tend to diminish consumer confidence in Nova Scotia. For example, in October 1993, when the Nova Scotia provincial budget was released and a federal election was held, housing activity both single starts and resales declined significantly. Although increased mortgage rates may lower affordability



## Housing Starts Atlantic Region

(thousands of units)



and put some potential home buyers on the sidelines, those who hear that rates will keep increasing may be encouraged to buy.

The extension of government-sponsored programs are favourable incentives contributing to a stable housing market. Between January and March 1994, 811 homes were purchased under CMHC's First Home Loan Insurance (FHLI) program that allows consumers to buy a home with a minimum downpayment of 5 per cent, compared with 434 for the same period in 1993. As well, aggressive developers focusing on multiple-unit projects will strengthen construction activity in areas like the Halifax CMA. The resale market will continue to see slow and stable price increases of approximately 1.5 per cent in both 1994 and 1995. This is primarily the result of a market shift toward higher-priced housing. As demand weakens in the low price ranges, it is growing in the mid-range (\$120,000-149,000).

## New Brunswick

### Gains in all sectors next year

An exceptionally harsh winter, not the rise in interest rates, was to blame for the low level of new construction this first quarter. The recent increase in financing costs will have little impact on business volumes in the housing markets for the rest of this year. Potential home buyers may stay on the sidelines longer than expected, but the forecast for sales of both new and existing homes remains unchanged. Next year, continued economic growth and rising consumer confidence will underpin good gains in all sectors of the housing market.

Attractive prices in the resale market led to a 6 per cent increase in sales during the opening months of the year. Move-up buying supported this upturn as indicated by a 35 per cent jump in houses priced above \$120,000. A good supply of larger homes combined with pent-up demand for move-up houses will ensure that this trend continues.

## Quebec

### Signs of an upturn in the first quarter

Housing starts in the first quarter rose, at a seasonally adjusted annual rate, to 35,700 from 34,015 in 1993. Much of the higher activity was outside urban areas. Other signs point to a slight upturn in residential construction for 1994 and 1995. Housing starts will benefit from job growth (Quebec has now recovered over half of the job loss during the recession), in-

creased resale market activity and the stabilization of house prices. The only cloud on the horizon is higher mortgage rates, which will moderate the upturn. However, as interest rates are expected to drop by the summer, the losses will be limited.

The forecast calls for 35,700 housing starts in 1994 and 38,500 in 1995, increases of 5 per cent and 8 per cent respectively. This growth will be concentrated mainly in the construction of single-detached homes, which will rise by 10 per cent in 1994 (18,800 starts) and 9 per cent in 1995 (20,500 starts). Employment growth, helping a rebound in consumer confidence, and a more active resale market will stimulate move-up buyer demand for new detached houses.

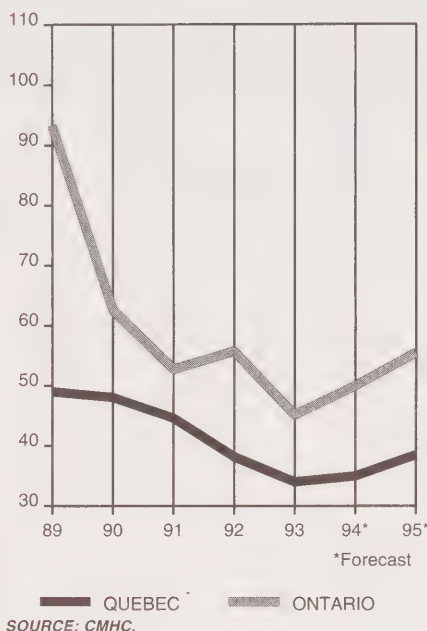
Construction of multiple units will stabilize in 1994. An improvement is expected in 1995. The surplus stock of condominiums and of rental units on the market will keep the number of multiple starts down to 16,900 in 1994. In 1995, a lower stock of vacant units together with more vigorous demand will boost multiple starts to 18,000, marking the first substantive increase since 1987.

Growth will resume on the resale market in 1994 and 1995. MLS sales will total 32,500 in 1994 and 34,000 in 1995, compared with 31,875 in 1993. First-time buyers will lead the market for most of the year. During the first quarter in 1994, over 10,000 first-time buyers, twice as many as in the same period last year, took advantage of the FHLI program. The demand for affordable houses and the large supply of properties for sale will limit the MLS average price increase to 1 per cent in 1994 (\$103,500) and



## Housing Starts Quebec and Ontario

(thousands of units)



to 2 per cent in 1995 (\$105,500). This increase is slightly above the forecast rate of inflation.

### Ontario

#### *Sales and starts will improve in the next two years*

First-quarter starts dropped by a fifth from year-end 1993, on a seasonally adjusted basis. New house prices in the province's major metropolitan markets were stable except for St. Catharines and Toronto, where prices fell, and areas of Northern Ontario, where home construction costs pushed prices up.

Ontario's existing house sales were spurred by low interest rates and the highest consumer confidence level in five years. Affordable mortgage carrying costs and

government home-ownership programs helped first-time buyers. Consequently, a decreasing supply of new listings nudged February's average Ontario MLS price to its highest in more than a year.

Net migration to Ontario, the key to sustained improvement in housing markets, has been rebounding since 1991. Job growth, another ingredient, is still missing. Employment recovery has been on hold since 1992, but prospects for improvement are good. Shipments of Ontario manufactured goods are growing, encouraged by a strong U.S. economy and the low Canadian dollar.

## *Ontario housing starts will rebound from an 11-year low*

Ontario's housing starts have been downgraded from the first-quarter forecast as a result of weak first-quarter employment numbers and the interest rate jump. However, sales and starts will still improve in the next two years. Mortgage costs are still very affordable, net migration is increasing and employment will rebound.

Modest increases in house prices are expected as well. A gradual shift to move-up purchasing will begin by year-end and raise Ontario's 1994 average resale price slightly above last year's. New-house prices should also post modest gains.

Over the next two years, housing starts will gradually rise from last year's 11-year low. Demand for home ownership will increase private sector single starts, and to a lesser degree, multiple-unit starts. Falling inventories of row and apartment units suggest that starts of these units should increase significantly. Assisted rental starts are expected to stay the same.

### Manitoba

#### *A more buoyant move-up market*

The recovery in Manitoba's housing market took hold during the first three months of 1994. Total housing starts were up by 4 per cent on the heels of a stronger resale market. Growth in the province's manufacturing and construction sectors will help maintain this momentum for the balance of 1994. A low Canadian dollar and strong economic growth in the U.S. will boost manufacturing output, while the federal government's new infrastructure program will trigger expansion in non-residential construction. However health-care reform and cuts to Inco's labour force in Thompson will temper any significant turnaround in the provincial unemployment rate. On a positive note, recent developments have secured jobs at Air Canada's Gemini reservations system in Winnipeg and at



## Housing Starts Manitoba and Saskatchewan

(thousands of units)



the Abitibi-Price newsprint mill in Pine Falls.

New housing activity is forecast to increase by 4 per cent to 2,525 units this year. A more buoyant move-up market will boost construction of single-family homes. Single-detached starts will reach 2,025 units this year and 2,200 in 1995. Continued high vacancy rates, low immigration levels and a steady supply of condominium units converted from rental stock will limit new multiple-unit construction in 1994.

Strong resale activity in Winnipeg propelled first-quarter sales 19.6 per cent above the same three-month period in 1993. Fewer active listings teamed with stronger move-up buyer demand has improved market balance. In 1994, the overall average price will increase 2.5 per cent to \$83,800. Improved labour market

conditions in 1995 will lift resales to 11,150 units, with prices advancing to \$86,000.

## Saskatchewan

### Scarce listings for first-time buyers

A lower Canadian dollar will make many of Saskatchewan's exports attractive in 1994. However, net realized farm incomes will decline this year. Although grain prices are firming up, program payments to farmers will decline as some programs are set up to pay less as prices increase.

Higher levels of unemployment and weak employment growth compared with recent years will cause migration to other provinces as people expand their job search. The loss will be more noticeable in rural communities while Saskatchewan's largest cities will continue to benefit from rural immigration.

March housing starts suggest that Saskatchewan housing production is back on track after cold weather during January and February discouraged home buyers.

There are indications that building activity will expand. The inventory of new houses available for sale is low while demand is expected to increase. Sellers' market conditions in some Regina and Saskatoon neighbourhoods will enable move-up buyers to sell with ease. In addition to traditional move-up buyers, first-time buyers will find newly constructed homes affordable as a result of relatively low interest rates.

The most important feature of the resale market continues to be the scarcity of listings, especially in areas preferred by first-time home buyers. Although the trend to higher prices persists, modestly priced homes are moving most quickly.

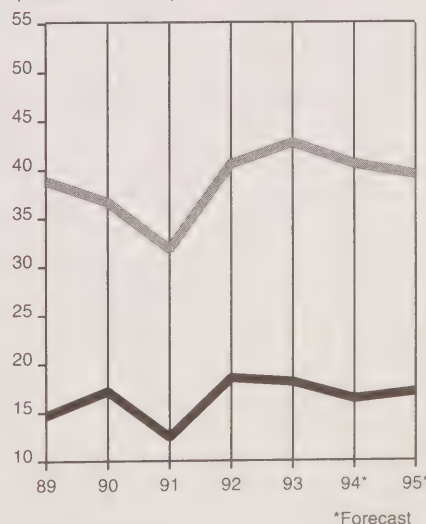
## Alberta

### Stronger performance outside Edmonton

Alberta markets developed as expected during the first quarter. Performance varied in the major centres, however. In Edmonton, reduced sales of new and existing homes led to rising inventories in those markets. In contrast, Calgary and most other centres saw increased sales in new and existing homes during the first quarter. The net result was a stronger performance for the first three months, with a total of 3,284 units compared with 3,128 units in

## Housing Starts Alberta and British Columbia

(thousands of units)





1993. Construction of single-detached homes rose while multiple-unit starts fell compared with the first quarter of 1993.

For the rest of 1994 and through 1995, the energy sector will be a key focus for the provincial economy. The sharp decline of the Canadian dollar has cushioned the fall in world oil prices and has meant increased returns for natural gas producers. This has led to employment gains in Calgary and rural Alberta. The importance of the provincial government to the Edmonton economy has left the city out of step with the rest of the province in 1994, as public sector spending reductions take effect. For the province as a whole, markets should return to levels consistent with the economic and employment growth of the last two years. Renovation spending shows the largest growth potential this year, given the large number of resales over the last two years and the rising costs for land in new subdivisions. Renovation spending is expected to increase 3 per cent this year.

## **British Columbia**

### ***Active market ahead***

Housing activity surged into 1994 on the heels of last year's strong finish. Sales were up and prices firmed up, even though supply remains high. Lower mortgage rates and a pick-up in consumer confidence last quarter spurred buying. The affordable sector is moving very well and other segments are also faring well. Condominiums are selling in ever greater numbers. Starts remained strong at an

annual rate of 42,700 units, adjusted for seasonal patterns.

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## ***A high-volume uneven market with moderate price increases for B.C.***

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The single-family market is expensive because land costs are high, causing a steady decline in new construction. Until higher-density forms of single-family housing become available, this sector will continue to be expensive in the large urban markets.

The key factor to this market's future is interest rates. The recent hike in rates will cause a sales slowdown during the second quarter. Due to a number of economic and political factors, more volatility is expected later this year, which could inhibit sales during the summer. Until this period of uncertainty has passed and interest rates have settled, there are more risks than usual to the forecast. At the same time, B.C.'s economy is expected to grow more robustly and migration is forecast to remain high, although down from last year's record level. A cyclical housing downturn is not expected this year, rather, a high-volume, uneven market with moderate price increases is forecast. B.C. can expect fewer

housing starts because financing for new construction is tight since substantial preselling and more equity is required. ■



## Housing Starts

### Total (units and annual per cent change)

	1989	1990	1991	1992	1993	1994 <sup>(F)</sup>	1995 <sup>(F)</sup>
NFLD	3536	3245	2836	2271	2405	2300	2200
%	11.6	-8.2	-12.6	-19.9	5.9	-4.4	-4.3
PEI	815	762	553	644	645	690	650
%	-29.2	-6.5	-27.4	16.5	0.2	7.0	-5.8
NS	5359	5560	5173	4673	4282	4250	4150
%	-2.2	3.8	-7.0	-9.7	-8.4	-0.7	-2.4
NB	3681	2683	2872	3310	3693	3500	3700
%	1.7	-27.1	7.0	15.3	11.6	-5.2	5.7
QUE	49058	48070	44654	38228	34015	35700	38500
%	-15.5	-2.0	-7.1	-14.4	-11.0	5.0	7.8
ONT	93337	62649	52794	55772	45140	50000	55500
%	-6.6	-32.9	-15.7	5.6	-19.1	10.8	11.0
MAN	4084	3297	1950	2310	2425	2525	2750
%	-25.1	-19.3	-40.9	18.5	5.0	4.1	8.9
SASK	1906	1417	998	1869	1880	1895	2010
%	-50.6	-25.7	-29.6	87.3	.6	0.8	6.1
ALTA	14712	17227	12492	18573	18151	16400	17100
%	29.5	17.1	-27.5	48.7	-2.3	-9.6	4.3
BC	38894	36720	31875	40621	42807	40600	39500
%	27.6	-5.6	-13.2	27.4	5.4	-5.2	-2.7
CAN	215382	181630	156197	168271	155443	*157900	*166100
%	-3.2	-15.7	-14.0	7.7	-7.6	1.6	5.2

SOURCE: CMHC.

(F) Forecast.

\* Total does not add due to rounding.



## Housing Starts

### Singles (units and annual per cent change)

	1989	1990	1991	1992	1993	1994 <sup>(F)</sup>	1995 <sup>(F)</sup>
NFLD	2932	2468	2135	1611	1559	1600	1625
%	3.3	-15.8	-13.5	-24.5	-3.2	2.6	1.6
PEI	456	483	376	421	460	520	500
%	-35.2	5.9	-22.2	12.0	9.3	13.0	-3.8
NS	3361	3639	2604	3232	3126	3000	3050
%	-13.1	8.3	-28.4	24.1	-3.3	-4.0	1.7
NB	2909	2137	2154	2391	2535	2700	2800
%	-1.5	-26.5	0.8	11.0	6.0	6.5	3.7
QUE	24493	24942	22531	18564	17136	18800	20500
%	-11.7	1.8	-9.7	-17.6	-7.7	9.7	9.0
ONT	53511	32425	26290	27868	26240	29500	33000
%	-6.3	-39.4	-18.9	6.0	-5.8	12.4	11.9
MAN	2966	2847	1589	1683	1874	2025	2200
%	-17.6	-4.0	-44.2	5.9	11.3	8.1	8.6
SASK	1383	1087	775	1484	1342	1500	1550
%	-38.4	-21.4	-28.7	91.5	-9.6	11.8	3.3
ALTA	12345	13809	9778	14125	13040	12300	12800
%	27.6	11.9	-29.2	44.5	-7.7	-5.7	4.1
BC	21612	18478	18335	21472	17787	16600	17500
%	21.7	-14.5	-0.8	17.1	-17.2	-6.7	5.4
CAN	125968	102315	86567	92851	85099	*88500	*95500
%	-1.9	-18.8	-15.4	7.3	-8.3	4.0	7.9

### Multiples (units and annual per cent change)

	1989	1990	1991	1992	1993	1994 <sup>(F)</sup>	1995 <sup>(F)</sup>
NFLD	604	777	701	660	846	700	575
%	83.6	28.6	-9.8	-5.8	28.2	-17.3	-17.9
PEI	359	279	177	223	185	170	150
%	-19.7	-22.3	-36.6	26.0	-17.0	-8.1	-11.8
NS	1998	1921	2569	1441	1156	1250	1100
%	24.0	-3.9	33.7	-43.9	-19.8	8.1	-12.0
NB	772	546	718	919	1158	800	900
%	15.6	-29.3	31.5	28.0	26.0	-30.9	12.5
QUE	24565	23128	22123	19664	16879	16900	18000
%	-19.0	-5.8	-4.3	-11.1	-14.2	0.1	6.5
ONT	39826	30224	26504	27904	18900	20500	22500
%	-7.0	-24.1	-12.3	5.3	-32.3	8.5	9.8
MAN	1118	450	361	627	551	500	550
%	-39.7	-59.7	-19.8	73.7	-12.1	-9.3	10.0
SASK	523	330	223	385	538	395	460
%	-67.5	-36.9	-32.4	72.6	39.7	-26.6	16.5
ALTA	2367	3418	2714	4448	5111	4100	4300
%	40.1	44.4	-20.6	63.9	14.9	-19.8	4.9
BC	17282	18242	13540	19149	25020	24000	22000
%	35.8	5.6	-25.8	41.4	30.7	-4.1	-8.3
CAN	89414	79315	69630	75420	70344	*69300	*70500
%	-5.0	-11.3	-12.2	8.3	-6.7	-1.5	1.7

SOURCE: CMHC.

(F) Forecast.

\* Total does not add due to rounding.



## MLS Activity

### Total Residential Sales (units and annual per cent change)

	1989	1990	1991	1992	1993	1994 <sup>(F)</sup>	1995 <sup>(F)</sup>
NFLD	2040	1998	1892	1829	1867	1925	1975
%	-8.0	-2.1	-5.3	-3.3	2.1	3.1	2.6
PEI	626	742	764	604	654	675	700
%	24.0	18.5	3.0	-20.9	8.3	3.2	3.7
NS	5863	6072	5811	7107	7180	6700	6500
%	2.2	3.6	-4.3	22.3	1.0	-6.7	-3.0
NB	3490	3316	3259	3550	3483	3600	3700
%	-0.8	-5.0	-1.7	8.9	-1.9	3.4	2.8
QUE	30618	28067	28005	31946	31875	32500	34000
%	0.4	-8.3	-2	14.1	-0.2	2.0	4.6
ONT	142914	102792	126143	131380	121071	130000	135000
%	-11.0	-28.1	22.7	4.2	-7.8	7.4	3.8
MAN	10375	9356	9521	11383	10556	11000	11150
%	-6.8	-9.8	1.8	19.6	-7.3	4.2	1.4
SASK	6850	6405	6505	7829	7375	7100	7000
%	-6.2	-6.5	1.6	20.4	-5.8	-3.7	-1.4
ALTA	36249	33085	34360	38545	37024	34500	35500
%	19.4	-8.7	3.9	12.2	-3.9	-6.8	2.9
BC	83562	58027	84554	93564	80919	83500	85000
%	23.9	-30.6	45.7	10.7	-13.5	3.2	1.8
CAN**	322587	249860	300814	327737	302004	*311500	*320500
%	1.0	-22.5	20.4	9.0	-7.9	3.1	2.9

### Average Residential Price (dollars and annual per cent change)

	1989	1990	1991	1992	1993	1994 <sup>(F)</sup>	1995 <sup>(F)</sup>
NFLD	83284	88654	90823	91591	91243	91500	92500
%	8.4	6.4	2.4	0.8	-0.4	0.3	1.1
PEI	74167	69284	71034	75570	72424	72500	75000
%	13.3	-6.6	2.5	6.4	-4.2	0.1	3.4
NS	82328	84649	86462	89361	88965	91900	93300
%	3.4	2.8	2.1	3.4	-0.4	3.3	1.5
NB	75848	77752	80897	82478	84951	87500	90500
%	5.2	2.5	4.0	2.0	3.0	3.0	3.4
QUE	100517	100811	102795	102311	102447	103500	105500
%	5.4	0.3	2.0	-0.5	0.1	1.0	1.9
ONT	184605	175859	173723	162827	157667	160000	163000
%	14.5	-4.7	-1.2	-6.3	-3.2	1.5	1.9
MAN	82401	79961	80445	80686	81739	83800	86000
%	2.5	-3.0	0.6	0.3	1.3	2.5	2.6
SASK	70417	68963	67697	68406	70698	72604	74712
%	3.0	-2.1	-1.8	1.0	3.4	2.7	2.9
ALTA	98542	108675	111482	113558	117085	119500	122000
%	10.0	10.3	2.6	1.9	3.1	2.1	2.1
BC	151504	157616	168235	189999	211992	221000	227000
%	25.2	4.0	6.7	12.9	11.6	4.2	2.7
CAN**	148776	143432	149749	150761	153575	*158400	*161800
%	13.1	-3.6	4.4	0.7	1.9	3.1	2.1

SOURCE: The Canadian Real Estate Association.

(F) Forecast by CMHC.

\* Total does not add due to rounding.

\*\* Excludes Yukon and Northwest Territories.



## Major Housing Indicators

Seasonally adjusted at annual rates  
(levels and quarterly per cent change)

	92:Q3	92:Q4	93:Q1	93:Q2	93:Q3	93:Q4	94:Q1
<b>New housing</b>							
Building permits, units, thousands	162.0	163.0	152.2	155.8	164.3	161.6	152.0
%	-3.3	0.6	-6.6	2.3	5.4	-1.6	-6.5
Housing starts, total, thousands	164	165	149	155	158	162	152
%	-3.1	.2	-9.5	4.3	1.6	2.9	-6.5
Housing starts, singles, thousands	90	98	75	89	89	82	76
%	-3.1	9.2	-23.4	19.4	-.2	-8.4	-6.5
Housing starts, multiples, thousands	75	67	74	66	69	81	76
%	-3.1	-10.5	10.8	-10.9	4.1	17.6	-6.4
Housing completions, total, thousands	177	171	152	159	181	155	139
%	1.1	-3.2	-10.9	4.2	14.1	-14.4	-10.3
New house price index, 1986=100	134.5	134.8	135.3	135.9	136.2	136.4	136.4
%	0.3	0.3	0.4	0.4	0.2	0.1	0.1
<b>Existing housing</b>							
MLS resales, units, thousands	342.0	328.3	263.3	316.0	311.6	317.1	329.3
%	9.2	-4.0	-19.8	20.0	-1.4	1.8	3.9
MLS average resale price, \$C thousands	153.0	154.2	152.4	153.8	154.1	154.0	157.4
%	2.3	0.8	-1.2	0.9	0.2	-0.1	2.2
<b>Mortgage market</b>							
Mortgages outstanding, \$C billions	285.1	292.3	297.0	301.3	304.7	308.5	308.5
%	2.2	2.5	1.6	1.5	1.1	1.2	1.2
Mortgage approvals, \$C billions	83.5	86.8	72.4	71.5	73.3	69.4	69.4
%	12.5	4.0	-16.6	-1.2	2.5	-5.3	-5.3
1-year mortgage rate, per cent*	6.50	8.15	7.55	7.25	6.50	6.33	6.11
5-year mortgage rate, per cent*	8.71	9.42	9.32	8.95	8.75	8.08	7.88
<b>Residential investment**</b>							
Total, \$1986 billions	32.9	33.0	31.2	31.8	31.4	31.7	31.7
%	0.9	0.1	-5.3	1.8	-1.3	1.2	1.2
New, \$1986 billions	15.5	15.7	15.3	14.7	14.5	14.3	14.3
%	0.4	1.5	-3.0	-3.6	-1.8	-1.0	-1.0
Alterations, \$1986 billions	10.1	10.3	10.0	10.1	10.2	10.4	10.4
%	-0.5	1.6	-2.7	1.0	1.4	1.8	1.8
Transfer costs, \$1986 billions	7.3	7.0	6.0	7.0	6.7	7.0	7.0
%	4.1	-5.2	-14.3	16.9	-4.1	4.8	4.8
Deflator, 1986=100	135.0	135.5	136.0	137.6	138.5	138.2	138.2
%	1.0	0.4	0.4	1.2	0.7	-0.2	-0.2

SOURCES: CMHC, Statistics Canada, Bank of Canada, The Canadian Real Estate Association.

.. Figures not available.

\* All indicators are seasonally adjusted except 1- and 5-year mortgage rates.

\*\* Residential investment includes outlays for new permanent housing; conversion costs; the cost of alterations and improvements; supplementary costs; and transfer costs.











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Canada



**NATIONAL HOUSING OUTLOOK  
THIRD QUARTER, 1994**

**MARKET ANALYSIS CENTRE  
CANADA MORTGAGE AND HOUSING CORPORATION**

Forecast prepared August 1994







# Executive Summary

Many Canadians rushed into the homeownership market last spring, spurred by a stronger economy and a hot market and eager to lock into mortgages while interest rates were still relatively low. As a result, both the new and existing home markets performed well during the second quarter.

From April to June, housing starts jumped nearly 10 per cent to 16,700 units on a seasonally adjusted basis and at annual rates. Rising interest rates, however, began to make a dent in the existing home market, which is more sensitive to the cost of borrowing. Second quarter resales slipped from the high levels seen early in the year.

For the remainder of 1994 and 1995, the forecast is more economic and employment growth and a good influx of new immigrants, all factors that boost housing markets. These positive trends will be largely offset, however, by the recent increases in mortgage interest rates. Although rates will trend down in 1995, they are not expected to return to the low levels seen at the start of 1994. Total housing starts are expected to slip to 14,600 units this year, before posting modest gains and rising to 19,400 units in 1995.

Singles starts will lead the new construction market. Construction of new single-detached units should increase by more than 5 per cent in both 1994 and 1995, to 89,800 and 94,700 units respectively.

The multiples segment will be less active. High vacancy rates will hold back new rental construction and reduced affordability due to rising interest rates will dampen

demand for first-time-buyer products such as condominiums.

Higher mortgage rates will impact the resale market, with lower activity for the remainder of 1994 and a slow recovery in 1995.

The province-by-province forecast shows improving market conditions in central Canada, but slower production in British Columbia and Alberta, which had relatively strong markets in recent years. The other provinces will show a mixed performance over the forecast period.

## NEWFOUNDLAND

Rising interest rates during the first half of 1994 led to a buying spree in both the new and existing home markets as many people who had been contemplating a purchase finally made their move. The year as a whole promises good employment growth as expenditures on Hibernia reach their peak and output in the mining industry increases. These developments should offset further declines in the fisheries. The employment gains will not be enough to make up for the dampening effect of higher interest rates and migration out of the province.

Total provincial housing starts are forecast to decrease slightly to 2,300 units in 1994 and fall again to 2,200 units in 1995.

## PRINCE EDWARD ISLAND

The economic benefits of the start up of the GST centre and construction of the fixed link will boost housing markets in the Summerside area during 1994. In rural areas, markets will also be strong because of good prices for potatoes and lobster. Charlottetown will be the

weak spot as consumer confidence remains low.

Total starts in the province are expected to reach 690 units this year. In 1995, lower multiples construction will likely pull the total down to 650 units. Housing demand created by the GST centre and the fixed link will be satisfied by then, and higher mortgage rates will make investment in rental units less attractive.

## NOVA SCOTIA

The housing sector in Nova Scotia performed well during the first half of 1994. Markets were especially strong in the spring, when rising mortgage rates led many people to speed up their buying decisions. Metro Halifax saw much of this activity. Markets were down, however, in small centres and rural areas, particularly those with a narrow economic base linked to the fisheries industry.

Higher interest rates, a slow recovery with limited job growth and spending constraints in the public sector will impact housing over the forecast period. These factors will pull total starts down nearly 7 per cent to 4,000 units this year, before they recover partially to 4,150 units in 1995.

## NEW BRUNSWICK

New Brunswick's economy and housing markets will turn in a mixed performance this year. Although the lumber industry is strong and Moncton is attracting important service industries, the resulting job growth will not be enough to offset losses in pulp and paper and continued weakness in mining.



Total housing starts will fall nearly 8 per cent to 3,400 units in 1994 before recovering to 3,500 units in 1995. The drop this year is due to a slowdown in multiples construction after the hectic pace of last year. Single-family starts will nevertheless rise nearly a tenth, mainly due to returning consumer confidence and improved job security in Moncton and Fredericton.

## QUEBEC

Housing markets rallied strongly in the first half of 1994, responding to very low interest rates early in the year, a solid economic recovery and job growth. Although higher interest rates should slow the pace of home construction and resales during the second half of 1994, total housing starts for the year are expected to rise by 4 per cent to 35,200 units. A return of the move-up market is reinforcing demand from first-time buyers. However, rental construction is still declining because of high vacancy rates.

Ongoing economic recovery should mean further gains for the housing market in 1995. Total starts should reach 38,500 units, propelled by a strong rebound in single-detached construction.

## ONTARIO

Recovering job markets and high migration to the province will stimulate Ontario's housing markets over the forecast period. But the recent rise in mortgage rates will temper the growth, particularly in the existing home market, which will see sales drop marginally in 1995.

Single-detached construction will be strong this year as consumer confidence returns, but will hold steady in 1995. Multiple-unit ownership starts will increase next year, boosted by first-time buyer demand for affordable homes.

In 1994, total housing starts are expected to increase nearly 9 per cent to 49,000 units. Starts will rise further to 51,000 units in 1995.

## MANITOBA

Low mortgage rates and greater demand for condominium and rental apartments in Winnipeg helped push home construction up nearly a third during the first half of 1994. First-time buyers were eager to purchase, encouraged by special provincial government incentives. As well, more move-up buyers returned to the market.

The housing recovery should continue even though higher mortgage rates will likely slow markets down. Housing in Manitoba will be buoyed by growth in manufacturing, agriculture and other resource sectors. Total housing starts should reach 2,575 units this year, rising by nearly a tenth to 2,800 units in 1995.

## SASKATCHEWAN

Continued migration from the province's rural areas to the two major cities is boosting demand for rental apartments and condominium units. Migration is also contributing to brisk trade in resales and better prices. At the same time, a slow, jobless recovery in the province's resource sectors is contributing to net provincial out-migration, and this is dampening the housing recovery.

Total housing starts are expected to drop nearly 7 per cent this year to 1,750 units. Starts of single-family homes will not rise enough to make up for the fall in multiple-unit construction after last year's flurry of projects. Total construction will rebound to 2,000 units in 1995.

## ALBERTA

The Alberta economy has performed well so far this year and should continue doing so over the forecast period. Healthy growth in the resource industries, especially the energy sector, has helped offset the impact of provincial government spending cuts. Calgary and the rest of province, which depend

mostly on the private sector, have flourished in this environment. Edmonton, oriented more towards government, has not fared as well.

For the rest of 1994, higher interest rates will undermine both the new and the resale markets. Starts are expected to fall just short of 17,000 units this year, with a moderate rebound to 17,400 units in 1995. The resale market should see higher sales in 1995. The oversupply of listings will put pressure on prices and improve the competitive position of the existing market at the expense of the new market.

## BRITISH COLUMBIA

More jobs, higher incomes and population inflows will boost housing demand in the province over the forecast period, but consumer concerns about borrowing costs will restrain market growth. Higher interest rates are already hurting sales of existing homes and will impact on new construction next year.

Total starts are forecast to fall in 1994 to slightly less than 40,000 units, and to drop by a further 1,600 units in 1995. The multiple-unit market will lead the decline with less construction of units for first-time buyers who will be constrained by higher interest rates. Construction of new single-family homes should partially make up for this trend. A better supply of lots and a demand from equity buyers will boost singles starts this year and next. The resale market, the first to react to rising interest rates this year, will post lower sales for 1994. This market should recover in 1995. ■



# Canada

by Gilles Proulx  
and Michel Laurence



## Starts rise despite higher rates, resales inch down

Encouraged by a better economy, more jobs and a chance to lock into mortgages at relatively low rates, many Canadians jumped into the housing market during the spring. Good terms were still available from lenders, despite rising interest rates. Consumers also had catching up to do after putting purchase decisions on hold over this year's brutally cold winter.

All these factors combined to push new home construction up during the second quarter to its best level in two years. At the same time, however, the rate hikes pulled

the more interest-sensitive resale market down.

Second-quarter housing starts jumped 9.7 per cent to 166,700 units. This is at annual rate and adjusted for normal seasonal patterns. The surge of starts was due to higher production of single-detached dwellings in all regions of the country. By contrast, the multiple segment posted a decline, mainly because of a drop in construction of condominium and rental units.

The regional picture shows that eight provinces saw new construction rise during the April-June quarter. The exceptions were British Columbia, due to a temporary drop in condominium starts, and Alberta, because of lower multiple starts.

The run-up in interest rates continued throughout the spring quarter. The one-year mortgage term jumped from a low of 5.75 at the beginning of March to 7.95 per cent in early April and to 8.95 per cent at the end of June. Lenders lowered mortgage rates in early August, but the rate hikes, so far this year, still total around 3 percentage points.

The existing home market proved more sensitive to the interest rate fluctuations than new construction, with sales through the Multiple Listing Service (MLS)\* slipping in May. Nevertheless, total sales for the second quarter were only

slightly lower than the high level reached during the first quarter. Regionally, on a year-to-date basis, double digit-increases have been recorded in Ontario, Quebec, Manitoba and Newfoundland.

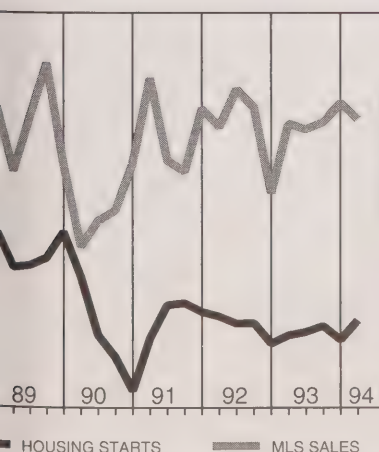
## Economy gains momentum

The Canadian economy expanded at an annual rate of more than 5 per cent in the first six months of 1994, the best half-year yet for the 1990s. This impressive growth, coming after last year's improvements, finally led to a rapid rise in employment. Jobs increased by nearly 200,000 in the first half of 1994, while the unemployment rate fell nearly 1 per cent.

Strong exports and consumer spending, especially on cars and other durable goods, have fuelled the economic momentum. The export rise is the result of three factors: 1) rapid growth in the U.S. economy; 2) more competitive industry in Canada partly because of a lower Canadian dollar; and 3) a maturing of the recovery, bringing stronger demand and better prices to many Canadian natural resource industries. The rise in consumer spending is due to employment

## Housing Starts and Residential MLS Sales

(in thousands of units, SAAR)



SOURCES: CMHC; The Canadian Real Estate Association

\* Multiple Listing Service (MLS) is a registered certification mark owned by the Canadian Real Estate Association.



growth and a rebound of consumer confidence.

As the second half of the year began, the economy proved resilient to the interest rate hikes that started in early February. The size and speed of the increases in the United States, in Canada and around the world have been surprising even for those familiar with financial markets.

Although U.S. interest rates have already risen substantially, they will likely go higher still later in 1994 and early in 1995, after which they should gradually subside. As a result, interest rates will be higher in 1994 and 1995 than they were in 1993. This trend will also prevail in Canada. Mortgage rates are expected to average 8.5 per cent for the one-year term and 10 per cent for the five-year term in both 1994 and 1995. This compares with 1993 averages of 6.9 and 8.75 per cent for the one-year and five-year terms respectively.

Despite the expected increases in both international and domestic interest rates, Canada's economic expansion should continue, supported by external demand and a return of domestic consumer demand. Real growth should reach 3.5 per cent this year and nearly as much in 1995. This would mean some slippage from the growth pace of the first half of 1994, mainly because of a slowdown in the U.S. economy. The accuracy of our forecast depends on how interest rates — very volatile recently — behave in Canada and abroad over the next year-and-a-half.

### Higher rates will take their toll on housing markets

Although Canada's economy and job markets should improve and immigration levels rise over the forecast period, these positive developments for housing will be largely

## TURNING STARTS INTO JOBS!

Everyone knows that residential construction generates jobs. But just how many? A new CMHC study tries to answer that question. It shows that this year's forecast of about 155,000 housing starts will translate into more than 400,000 jobs for Canadians from coast to coast.

The study entitled *Economic Impacts of Residential Construction* found that building 10 average-size houses provides work for as many as 28 people for a full year. On-site construction calls for five workers, while off-site preparation of building materials and supply services requires up to 17 additional people. These employed workers, in turn, spend the money they earn on a wide range of goods and services. The spin-offs from this spending mean income and jobs for as many as six other persons.

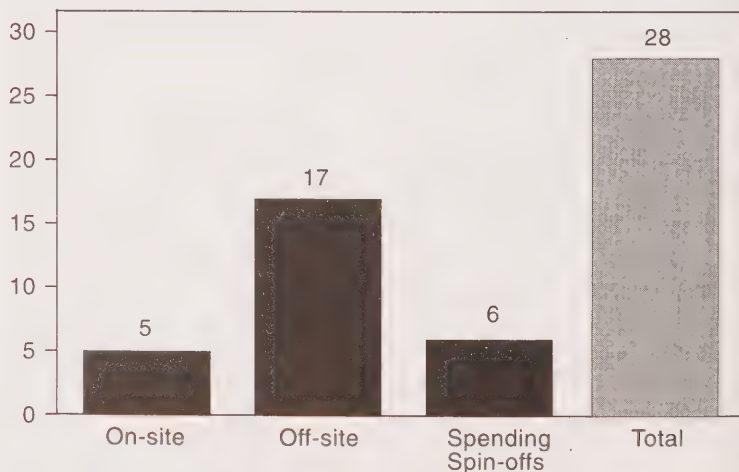
Single-detached houses provide work for slightly more people than other types of houses. As a rule-of-thumb, ten single-detached houses create about 30 jobs for a full year. Ten row houses or a 10-unit apartment building create 20 to 25 jobs.

Although home construction creates jobs in all industries, the bulk of the work, or 80 per cent, goes to four sectors alone. In addition to the construction industry, the employment winners are manufacturing, wholesale and retail trade, and business services (such as architects, lawyers, sales representatives and accountants.)

The importance of manufacturing jobs reflects the growing trend to do more and more of the home building work off-site. On-site production is now, in large part, assembly of pre-fabricated materials.

The CMHC study provides a technical update to earlier reports on the employment and income impacts of housing investment.

### Jobs Created by Ten Typical Housing Starts

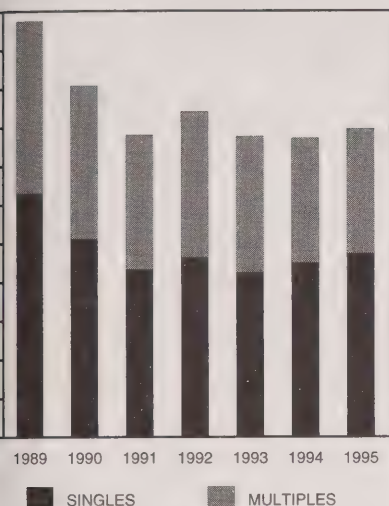


SOURCE: CMHC



## Housing Starts by Type CANADA

(in thousands of units)



SOURCE: CMHC.  
1995 Forecast

offset by higher borrowing costs. This is because the housing sector is very sensitive to interest rate changes.

Higher interest rates will replace job uncertainty as the main cause of consumer caution. But although borrowing costs may be higher now, home prices are still relatively low — a point that builders and realtors can make to prospective buyers.

Total housing starts are expected to inch down to 154,600 units this year before registering a modest gain in 1995 to reach 159,400 units. The provincial forecast for 1994 features rising starts in central Canada and Prince Edward Island. This will be offset by declines in the other provinces. In 1995, construction will be up again in Ontario, Quebec and Manitoba, but Saskatchewan will take the lead. Other provinces will show slight changes.

The single-detached home market should post modest increases in both years for two main reasons.

- 1) The housing market cycle has reached a phase that normally means a return of move-up buyers.
- 2) Some municipalities in British Columbia have made more land available to builders, thus removing some of the lot supply constraints of recent years. Single-detached starts are expected to rise by just over 5 per cent in both 1994 and 1995, reaching 89,800 units in 1994 and 94,700 in 1995.

The multiples market is expected to be more vulnerable to rising interest rates, with both the rental and ownership segments of the market posting declines.

Rental unit starts will be down both because of high vacancy rates and poor profitability. CMHC's spring survey of the national rental vacancy rate showed a 4.6 per cent average, unchanged from last year and with no significant improvement in sight. In most large urban centres, the rate exceeds 3 per cent, the level considered to reflect a balance of supply and demand.

Ownership-unit construction will likely be lower because of slower demand by first-time buyers for condominium units and row and semi-detached housing. The reason is lower affordability. The decline will be moderate, however, because supply in this market has recently shrunk. Total starts of multiple units are expected to fall nearly 8 per cent this year to 64,800 units and to hold steady next year.

Higher interest rates and reduced affordability will likely mean less activity in the resale market in the second half of 1994, with a gradual recovery in 1995. This year's total sales of existing homes via the MLS system are expected to inch up 2.6 per cent to 310,000 units. Next year's sales should rise 1.2 per cent to 313,600 units.

Although prices have now bottomed out in most local markets, only minimal price increases are forecast over the next year-and-a-half. The average MLS price will reach \$158,800 in 1994, or 3.4 per cent more than in 1993. This will mainly reflect more sales in the higher-priced markets, such as Toronto and Vancouver. For 1995, the average price is expected to be up 2.1 per cent to \$162,500. ■



# Newfoundland

by Brian Martin



## Highlights

- Hibernia remains key to economic growth
- Demand for homeownership to taper off
- Vacancy rates show little improvement

## Rising Interest Rates Prompt Flurry of Homebuying Activity

The upward trend in interest rates during the first half of 1994 led to a flurry of homebuying activity as households considering the purchase of a home for some time finally made their move. This, combined with sustained employment growth, boosted demand for both new and existing homes.

Following a weak first quarter, new home construction rebounded in the spring, pushing total starts up 16.1 per cent during the first half. Substantial growth in urban area starts more than offset declines in rural Newfoundland. Movement of renters to homeownership and ongoing competition from two-apartment homes continued to curb larger rental projects. The average vacancy rate in the province's six larger urban centres rose to 10.6 per cent.

Rising interest rates also stimulated the sale of existing homes. Total MLS sales in the St. John's region advanced 26.2 per cent, posting substantial gains between March and

June. Fewer sales in central Newfoundland moderated the overall increase with total provincial MLS sales up 20.1 per cent from a year earlier. An increase in the sale of higher priced dwellings, particularly in the central region, boosted the average price of an existing home by 3 per cent.

## 1994-95 Outlook

### Economy Continues to Benefit from Hibernia Investment

Economic growth of 1.1 per cent is forecast for 1994, as spending on the Hibernia project reaches its peak and mining output increases — two factors that will offset further declines in the fishery. Cuts in unemployment insurance benefits and reduced spending on Hibernia will limit next year's growth to 1 per cent.

The Hibernia project will stimulate most of the job creation over the forecast period. Higher than expected labour requirements on the project will help to offset losses in other industries and support employment growth of 1.6 per cent in 1994.

No growth is expected next year, since employment gains in other sectors will, at best, offset Hibernia job losses. Labour force increases over the next two years will keep the province's unemployment rate above 20 per cent. An uncertain future for

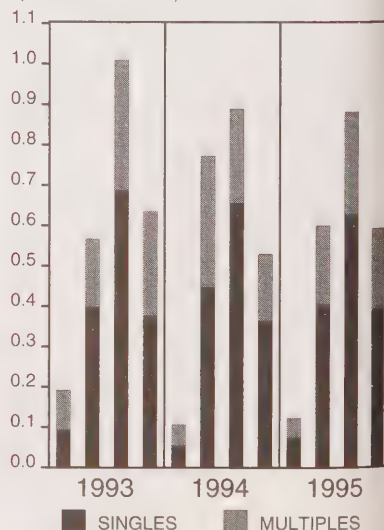
the fishery, combined with the availability of funds to help pay moving costs of affected fishery workers, will lead to increased migration away from the province in 1994 and 1995.

## Recent Gains in Homebuying Activity Will Not be Repeated

Higher interest rates and migration out of the province will temper the demand for new and existing homes over the forecast period. Residential construction, particularly in rural areas of the province, will continue to be hardest hit by these conditions. The hefty increase in urban starts during the first half of 1994 will not be repeated, but will help moderate the overall decline.

## Housing Starts NEWFOUNDLAND

(thousands of units)



SOURCE: CMHC.  
1994-95 Forecast.



Total provincial housing starts are forecast to decrease slightly to 2,300 units in 1994 and fall again to 2,200 units in 1995. The shift in demand away from single-detached dwellings towards affordably priced two- and three-unit apartment homes will continue, with singles starts expected to fall marginally this year and next.

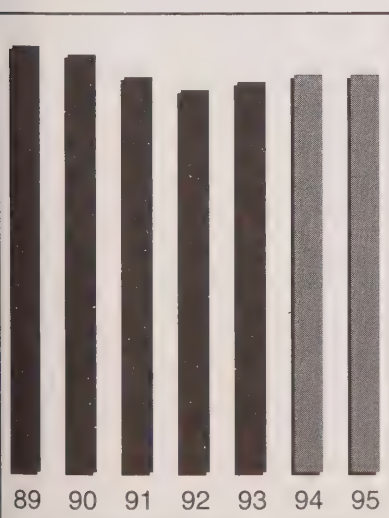
The persistence of high vacancies in larger rental projects, combined with reductions in federal/provincial assisted housing will lead to declines in multiple-unit starts in 1994 and 1995. However, gains in the construction of both semi-detached units and condominiums targeted to seniors will limit the decrease in multiples.

Recent interest rate hikes will also limit demand for existing homes throughout the remainder of 1994. However, the strong performance during the first half, combined with abundant supplies of affordable housing, will contribute to marginal gains for the resale market this year.

Advances in the St. John's region will more than offset losses in central Newfoundland. Total provincial MLS

## Residential MLS Sales NEWFOUNDLAND

(thousands of units)



SOURCE: The Canadian Real Estate Association.  
FC: Forecast.

## HOW KEY ECONOMIC INDICATORS AFFECT DEMAND FOR SINGLE-DETACHED STARTS

To provide information to the housing industry, CMHC's market analysts continuously assess changing economic conditions and their impact on housing demand.

The market for new residential construction operates on the fundamental principle of supply and demand. Some of the major variables affecting demand include population, employment, income, mortgage rates, prices, consumer confidence and government policy. Assuming all other variables remain unchanged, an increase in employment, population or income will boost starts of new homes. By contrast, an increase in mortgage rates or prices will generally drive housing starts down.

The extent to which these variables affect housing demand will differ from market to market. Single-detached starts in the St. John's market, for example, are more sensitive to changes in mortgage rates than are singles starts in rural areas of the province. Analysis of historical data for the St. John's area indicates that a one percentage point increase in the five-year mortgage rate normally results in about a 3 per cent reduction in single-detached housing starts, assuming all other variables remain unchanged.

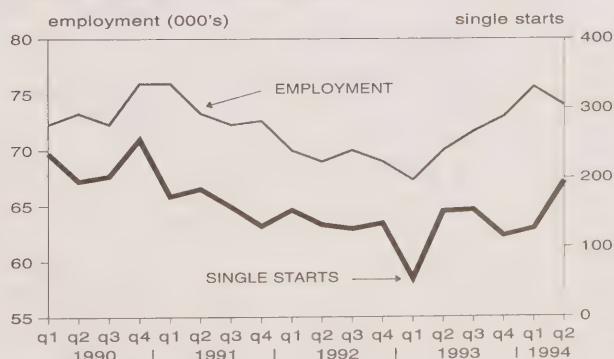
Like mortgage rates, job creation also has a significant effect on single-detached housing starts in St. John's. Historical data show that the creation of 1,000 jobs will generate an additional 1 to 2 per cent increase in starts, again, assuming all other variables remain unchanged.

Although the above analyses assume some constant economic variables, in reality they are always changing and interacting with one another. Accordingly, CMHC's market analysts measure the combined effects of changing economic conditions. For example, during the first five months of 1994, five-year mortgage rates, although increasing, were still down more than 1 per cent from a year ago. During the same period, employment in St. John's increased by an average of 7,000 jobs.

Based on these factors alone, single-detached starts could be expected to increase by approximately 30 per cent in 1994. In fact, as of the end of May, single-detached starts have increased 44 per cent. However, this rate of growth is expected to taper off as employment growth subsides and mortgage rates rise or stabilize.

Although mortgage rates and employment are major determinants of demand for new homes, our analysts also consider other factors. The above analysis provides some general guidelines for measuring how economic change affects demand for the construction of single-detached homes.

### Employment and Single Housing Starts St. John's C.M.A. — 1990-1994



Sources: Statistics Canada, CMHC.



sales are forecast at 1,900 units in 1994. With most of the pent-up demand satisfied in the early part of 1994 and only slight declines in interest rates expected, total MLS sales will, at best, approach 1,900 units again in 1995.

Despite increased sales in the move-up market, the availability of 95 per cent financing will ensure that first-time buyers continue to do most of the homebuying. Accordingly, the average price of existing homes will increase by less than 2 per cent in 1994 and 1995.

The larger rental projects within the St. John's region are expected to see only modest demand gains during the second half of 1994 and 1995. Increased enrollment in the regions' educational institutions this fall and higher levels of in-migration from rural areas will drive rental demand. But ongoing competition from base-ment apartments and the continued movement of renters to the homeownership market will limit declines in the number of vacant units. Vacancy rates are expected to remain in the 9 to 10 per cent range this year and next, only slightly lower than the 10.6 per cent rate recorded in April 1994. ■

#### Key Provincial Indicators Newfoundland

	1993	1994 <sup>(F)</sup>	1995 <sup>(F)</sup>
Real GDP (% Change)	1.0	1.1	1.0
Employment (% Change)	-1.1	1.6	0.0
Unemployment Rate (%)	20.2	20.6	20.9
Housing Starts (Units)			
Total	2405	2300	2200
Singles	1559	1525	1500
Multiples	846	775	700
MLS Sales (Units)	1867	1900	1900
Average MLS Price (Dollars)	91243	93000	94000

SOURCES: CMHC, The Canadian Real Estate Association, Statistics Canada, and The Conference Board of Canada.

(F) Forecast by CMHC.



# Prince Edward Island

by Ralph Freeze

## Highlights

- Economy growing on back of link project
- New home construction improves due to Summerside's performance
- Lower sales forecast because of mortgage rate hikes and income insecurity

## Second Quarter Report Card — Good, Bad and Uncertain

Good news for P.E.I.'s housing market continues to come mainly from the Summerside area. Housing starts here have more than doubled due to construction of rental units, which are in "catch-up gear" after four years of little activity. The Summerside's resale market has moved to a balanced position — the only resale market in the province to do so.

The Charlottetown area is experiencing a slight drop in new home construction due to a decline in the rental market. High vacancy rates in the city are the reason for less rental investment. Other sectors of the housing market are feeling the effects of government cutbacks and reform which have made a dent in the local economy. Single-family home construction is ahead of 1993 levels, but only because of a strong showing in

April. The resale market continues to slow down. Homes are on the market longer, list prices are lowered more often, and buyers are the "winners" in most transactions.

Rural areas of P.E.I. are being pulled in a number of directions. Housing starts slipped in the second quarter, but are on par with 1993 on a year-to-date basis. Sales of existing homes in rural PEI have been extremely slow, with final prices often 20 percent below list price. Potato and lobster prices have had banner years, but other sectors of the economy have had to wrestle with restructuring, trade, or shifting policy issues.

## 1994-95 Outlook

### Short-term Project Boosts Economy

The economic growth forecast has been lowered to 3.8 percent in 1994, followed by 3.5 percent in 1995. Apart from benefits coming from the GST centre and the much publicized bridge construction, growth in 1994 will be hard to find. Although more tourists are expected, they may not spend enough to bolster the economy. The early signs are that they will be tight-fisted this year.

Lower government spending is the main cause of the less optimistic outlook for the year. The province has deducted 7.5 per cent from the wages of its employees, who represent a large portion of employed Islanders.

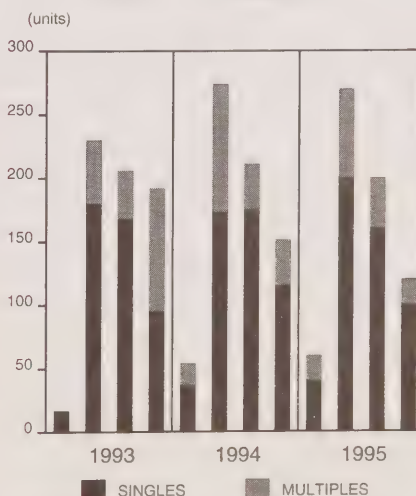


In addition to cutting wages, the province is reducing general expenditures to cope with the combination of a lower grade from bond rating services and increasing interest rates. The resulting changes to unemployment insurance eligibility and benefits will have a negative impact on the economy because the people affected are seasonal workers and so much of P.E.I.'s economy rests on seasonal industries.

## Single-detached and Multiple Construction Rise in 1994

Starts of both single-family and multiple-unit homes will increase in 1994. Rental-unit construction will see growth in the Summerside area, which will compensate for declines

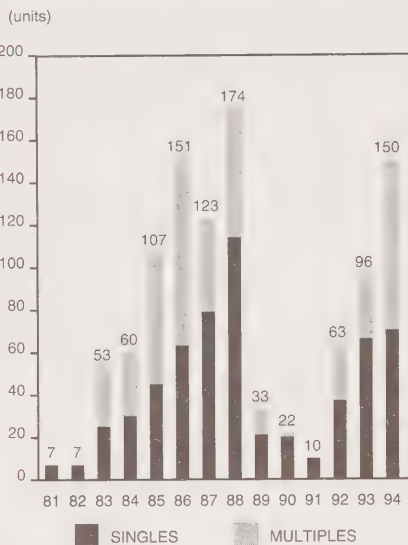
### Housing Starts PRINCE EDWARD ISLAND



SOURCE: CMHC.  
1994-95 Forecast.



## Summerside Housing Starts PRINCE EDWARD ISLAND



SOURCE: CMHC.

in other regions. Although the level of rental starts is high, considering a 6.9 percent vacancy rate, demand for modern structures has been building up over the past four years. Rental demand has also been boosted by the movement of GST employees into the area and by spin-offs from the fixed link and the aerospace centre. This flurry of multiples construction will not carry into 1995. Higher interest rates and satisfied demand will slow the rate of investment.

A modest rise in new single-detached starts is expected to occur in all three markets — Summerside, Charlottetown and rural areas. Markets will benefit from employment growth, forecast to rise above 1993 levels. The majority of the new jobs coming will be in western P.E.I.

A small amount of speculative building will take place in the capital area in advance of higher employment and incomes in 1995. This will be the result of activity associated with the fixed link. For the province as a whole, benefits from the link will maintain single-detached construction in 1995 at 500 units, matching 1994.

Housing starts in rural P.E.I. are forecast to show net growth this year. Good potato and lobster prices, along with a generally improving economy, in the first half of 1994, will carry the momentum in the Montague-Georgetown area. New housing in the Souris area will be sparse. The fire at the Usen Fisheries processing plant has left many workers without options. Rebuilding does not look promising given the state of the industry.

## Demand and Supply for Resale Market Declining

The forecast for MLS residential sales has been adjusted down to 660 units, essentially the same as last year. Wage reductions, higher mortgage rates, and few employment opportunities took the wind out of sales growth for 1994. During late spring it seemed that a surge of buying was about to begin. But, as the factors mentioned above took effect, demand quickly fell. In the midst of the uncertainty, the province announced intentions to buy Maritime Electric and sell it to N.B. Power, resulting in many job losses. Islanders welcomed the potential savings in electricity bills, but more job insecurity has paralyzed consumer confidence, even though the sale will not occur.

Speculative buying in the Summerside-to-Borden area has eased. In Summerside, new home construction has heated up as demand has outstripped supply. Meanwhile, the number of existing homes listed for sale has declined across the province during the first half of 1994. Those wishing to sell with the intention of moving up are facing lower sales prices. The strong buyer's market conditions will discourage potential move-up buyers, causing them to wait, or renovate.

The outlook for resale markets for 1995 is a continuation and deepening of the current situation, with job and income insecurity restraining demand. Employment arising from the bridge construction will not benefit the resale market significantly beyond the present. Out-of-province workers will rent, and residents, aware that work will decline after 1996, will adjust their homebuying expectations accordingly. Lower sales prices will discourage owners from listing their homes. The projected increase in average selling price for the province in 1995 is due to a higher proportion of homes sold in the urban areas where prices are higher. Actual prices in these markets will also slide. ■

### Key Provincial Indicators Prince Edward Island

	1993	1994 <sup>(F)</sup>	1995 <sup>(F)</sup>
Real GDP (% Change)	0.2	3.8	3.5
Employment (% Change)	0.0	1.9	1.8
Unemployment Rate (%)	17.7	18.1	17.6
Housing Starts (Units)			
Total	645	690	650
Singles	460	500	500
Multiples	185	190	150
MLS Sales (Units)	654	660	625
Average MLS Price (Dollars)	72424	72500	75000

SOURCES: CMHC, The Canadian Real Estate Association, Statistics Canada, and The Conference Board of Canada.

(F) Forecast by CMHC.



# Nova Scotia

by André Moore and Sally Erskine-Doucette



## Highlights

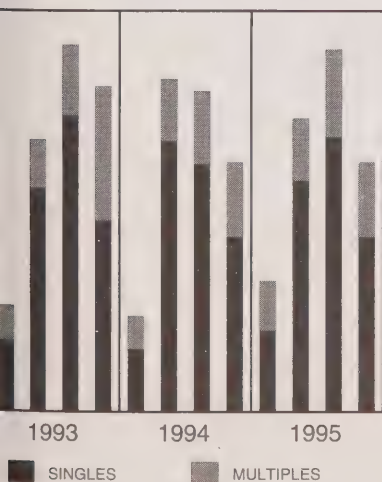
- New construction and resale market to slow, then recover slightly in 1995
- Importance of renovation continues to grow
- High vacancy rates make for competitive rental markets

## Housing Market Strong in First Half of 1994

The housing market in Nova Scotia performed reasonably well during the first half of 1994, boosted by a flurry of activity in the second quarter. Both resales and new construction benefited from the buying spree that occurred as consumers jumped into the market to stay ahead of sharply rising

## Housing Starts

NOVA SCOTIA  
(thousands of units)



SOURCE: CMHC.  
1995 Forecast.

mortgage rates. But this reaction was short-lived and markets have dropped off since. Overall, housing sector performance from January to June was on par with that of the same period last year.

Healthy growth in the new residential market throughout the first half of 1994 was the result of two main factors. 1) A surge of starts occurred in March clearing up the backlog caused by poor winter weather. 2) Many start dates were moved forward from the third quarter, as buyers tried to stay ahead of interest rates.

Most of the starts consisted of single-detached houses in Metro Halifax, concentrated in the outer suburbs in Halifax County. New house prices increased at a greater rate than inflation in the first half of the year, largely because of rising costs of lumber.

Multiple starts in Metro Halifax remained strong despite high vacancy rates, further exacerbating the current oversupply of new units. Also, rental demand has weakened, with the absorption rate for new apartments dropping to a low of 20 units per month in May. Nevertheless, developers continued to plan new apartment projects. As for row and semi-detached houses, their popularity continues to grow slowly.

In rural areas and small urban centres, residential construction is down from the previous two years. This reflects declining job prospects and economic difficulties in areas with a narrow economic base.

Renovation spending on existing homes has increased in proportion to total residential construction. Homeowners are upgrading, adding more room and accommodating changing lifestyles. Renovation is an affordable option in Nova Scotia because of the many "do-it-yourselfers".

Resales flourished in the first half of 1994, fuelled by concern over upcoming increases in mortgage rates in April and May. First-time buyers continued to heat up the market, encouraged by incentives from government programs. However, these buyers are highly sensitive to interest rate changes. Higher rates have led to a decline in the amount of downpayment households are willing to make.

MLS prices increased beyond the inflation rate due to a change in the inventory. Listings of starter homes (\$80,000-\$100,000) have been tapering off, while listings in the medium-high category (\$120,000 to \$150,000) have increased.

## 1994-95 Outlook

### Forecast Good Despite Higher Interest Rates

Although rising interest rates have slowed markets down since the second quarter, 1994 still promises to be a good year overall. And next year should be a slight improvement over this one.

Nova Scotians carry relatively high debt loads already, making them especially vulnerable when interest rates rise. Bigger personal debt loads



due to rising interest rates have both eroded consumer confidence and reduced housing affordability. To some extent, this will translate into demand for smaller houses at affordable prices and rents. But consumer attempts to reduce debt will also delay home purchases.

Two other key factors will contribute to lower housing demand. The current "jobless" economic recovery, caused by advanced technology will limit job growth and consumer spending power. The downsizing of the public sector — a significant portion of the Nova Scotian economy — will do the same.

There is also good economic news in Nova Scotia. The low Canadian dollar will continue to boost export trade and tourism. New agreements on water conservation, international business development and infrastructure will translate into jobs for professionals and unskilled workers. New jobs will flow from a variety of projects — the construction of the Red Cross Blood Fractionation Plant, a jetty at HMC Halifax Dockyard and Hibernia-related manufacturing — and possibly from two proposed casinos, one in industrial Cape Breton and one in Metro Halifax.

These positive developments will help sustain the Nova Scotia housing market despite interest rate volatility. Activity will fall only slightly in 1994 from 1993 levels, but will rise again in 1995. However, housing demand will still be constrained by a population decline among Nova Scotians between the ages 19 and 30 — the group associated with first-time buyers. Only Metro Halifax is producing a "baby boom echo" of young children, thereby increasing demand for starter family homes.

A positive trend is the choice of many Nova Scotians to remain in the province, rather than search for limited job opportunities in other parts

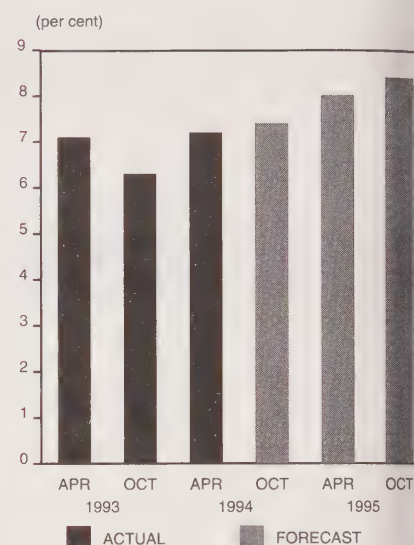
of Canada. As a result, more people will come to the province than leave in 1994 and 1995, reversing the outward trend of recent years. This in itself, however, is not enough to boost housing demand since unemployment may cause many people to live with others instead of setting up households of their own.

## High Vacancy Rates to Continue

Nova Scotia can expect continued high vacancy rates over the next year because of oversupply and reduced demand. In some areas the vacancy rates are up to 16 per cent. Other areas with choice locations and new, well-managed buildings, however, have vacancy rates of only 3 to 4 per cent. In downtown Halifax, businesses are urging the conversion of empty commercial space into residential units, but given the vacancy rates, such projects face challenges.

Across the province, government homeownership incentive programs are increasing homebuying and diminishing demand for rental housing. The sudden rise in mortgage rates in March also prompted many renters to jump into the housing market, freeing up rental units in the process. In addition, construction of

**Halifax Vacancy Rate  
(3 units or more, privately initiated)**



SOURCE: CMHC.  
1994-95 Forecast.

many new rental units in recent years has added to an over-supplied market.

Despite the lack of demand, new rental construction continues, with developers counting on the new buildings renting up at the expense of older ones. Developers are building largely to take advantage of relatively cheap financing, to make use of unproductive land holdings, and to improve short-term cash positions. ■

## Key Provincial Indicators Nova Scotia

	1993	1994 <sup>(F)</sup>	1995 <sup>(F)</sup>
Real GDP (% Change)	0.6	2.2	1.7
Employment (% Change)	-1.1	1.8	1.1
Unemployment Rate (%)	14.6	14.2	14.1
Housing Starts (Units)			
Total	4282	4000	4150
Singles	3126	3025	3050
Multiples	1156	975	1100
MLS Sales (Units)	7180	6700	6500
Average MLS Price (Dollars)	88965	91900	93300

SOURCES: CMHC, The Canadian Real Estate Association, Statistics Canada, and The Conference Board of Canada.  
(F) Forecast by CMHC.



# New Brunswick

by Bruce Read and Todd Selby

## Highlights

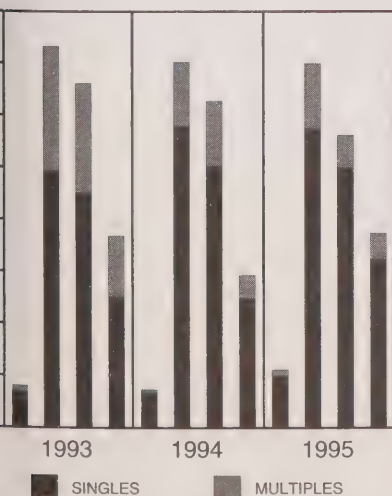
- Single-family starts increasing
- Service sector to lead employment growth
- Rising mortgage rates will limit resale activity

## Demand for Single-family Homes Rising

Single-family starts jumped by 15 per cent during the first half of the year, as rising mortgage rates propelled many people to enter the new home market before rates could climb higher still. Activity was split evenly between the urban and rural areas of the province. Total starts, however, declined by 4.4 per cent due to less apartment construction in Moncton, after record levels last year.

## Housing Starts NEW BRUNSWICK

(Sands of units)



SOURCE: CMHC.  
1995 Forecast.

Sales through provincial real estate boards declined by 2.9 per cent in the first six months of the year. Gains made in Moncton and Fredericton did not offset the losses in Saint John and northern New Brunswick. Despite the drop in sales, however, the average price of a home has risen by 3.7 per cent so far this year. House prices in Fredericton increased by over 6 per cent, to lead the province in price rises.

## 1994-95 Outlook

### Retail Trade to Stimulate Economic Growth

Despite slow growth in the first half of 1994, the New Brunswick economy will pick up again before year-end. Strong retail trade and export markets will boost economic activity by 2.3 per cent. The growth in the retail sector will be due to a favourable exchange rate and improving consumer confidence. The low dollar will also hike foreign demand for provincial goods. As employment increases in 1995, the provincial economy will expand by 3.2 per cent.

The lumber industry will be this year's growth leader among the resource-based industries. Lumber demand will be fuelled by strong growth in single-family construction in Canada and abroad. Pulp and paper, however, will not fare as well. Cost cutting measures in this industry and environmental regulation will continue, leading to more jobs



losses throughout the year. Weakness in the mining industry will persist as tight environmental regulation and excess supply worldwide results in more job cuts.

The service sector will likely lead all provincial industries in economic activity this year. An indication of this trend is the recent announcement by the Royal Bank of Canada promising 500 new jobs for Moncton. However, overall employment is forecast to decline by 2,000 jobs, as gains in the service sector are offset by job losses in the primary industries. By 1995, job growth will return, as the resource based industries show signs of expansion.

### Rising Vacancy Rate to Limit Apartment Construction

For the sixth consecutive year, new house construction will increase in 1994, and the trend will continue in 1995. This year's activity will ensure that the singles market reaches its highest level of activity since 1989. However, a slowdown in the multiples market, will result in total construction declining by over 8 per cent this year, before improving in 1995.

A return of consumer confidence and improved job security in Moncton and Fredericton account for the promising forecast for singles construction. Stable prices and federal homebuying incentive programs will also help. Once again, first-time buyers will fuel the singles market, as shown by the heavy use of the First



Home Loan Insurance program. However, move-up buyers will gradually return to the singles market in 1995.

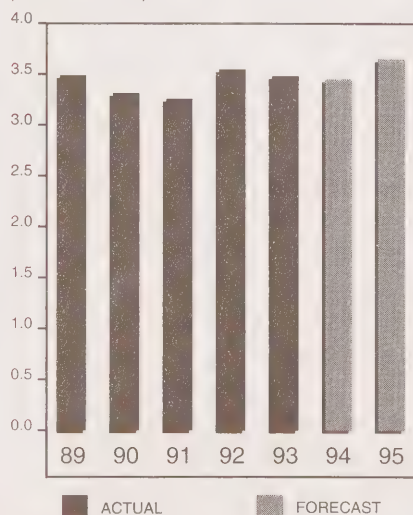
New house construction will expand in the three major urban centres, with Moncton at the fore. The pace of growth in Moncton will be supported by modestly priced homes and a high level of affordability. With the worst of government cutbacks over, growth in Fredericton will also be strong. Saint John will experience a slight gain in the new home market as consumer confidence improves.

Rising vacancy rates throughout the province will limit multiple unit construction in the coming months. After two consecutive years of record apartment construction in Moncton, developers have decided to slow down the pace set last year. Activity will not pick up again in this market until the vacancy rate begins to fall.

Stronger MLS sales in Moncton and Fredericton will not be enough to sustain growth in the provincial resale market this year. Resales are forecast to drop slightly for 1994, before strengthening in 1995. Continued downsizing in the Saint John manufacturing sector will bring this centre's resale market down by 3.5

### Residential MLS Sales NEW BRUNSWICK

(thousands of units)



SOURCE: The Canadian Real Estate Association  
CMHC: Forecast.

## SPLIT-ENTRY BECOMING HOME OF CHOICE FOR MANY BUYERS

In 1990, just over six out of every 10 houses that changed hands in New Brunswick were bungalows. Since then, demand for bungalows has declined, while the popularity of split-entry homes has been on the rise. The split entry — only 7.2 per cent of the market in 1990 — now represents 12.5 per cent of all the house purchases in the province. Meanwhile, the two-storey and split-level housing types, with about 25 per cent and 5.5 per cent of market share respectively, have seen little change in demand.

Growth in split-entry popularity has been greatest in the major urban centres of the province. In the Moncton area, where split-entries now constitute over 11 per cent of the market, the number of these houses changing hands annually has tripled since 1990. The trend in Fredericton has been almost as strong, with sales rising from 80 homes in 1990 to over 200 in 1993. In the Saint John market a near 50 per cent increase in split-entry sales indicates that the popularity of these homes is growing here too.

As demand for the split-entry house has increased, so have prices. While the average price of a bungalow selling in the province has increased by only 1.5 per cent over the past three years, the average trading price of a split entry has risen 9.3 per cent to \$93,600. This is well above the 6.1 per cent price increase for the two-storey home, and the 6.8 per cent increase for the split level. Builders and realtors will hear their clients asking for this house type more and more. The split-entry will, no doubt, become a more common sight in new developments across the province.

	BUNGALOW		SPLIT ENTRY	
	Market Share	Price	Market Share	Price
1990	62.0	\$65,410	7.2	\$85,636
1991	58.9	65,600	10.0	85,072
1992	57.8	68,632	11.5	86,814
1993	56.4	66,414	12.5	93,569

per cent. The northern areas of the province will also decline, due to problems in the mining and forestry industries.

Despite a drop in resales this year, the market will see some modest

increases in average prices. Prices in the new home market will rise by 2.4 and 2.9 per cent in 1994 and 1995 respectively because of higher prices in Fredericton and Moncton. ■

### Key Provincial Indicators New Brunswick

	1993	1994 <sup>(F)</sup>	1995 <sup>(F)</sup>
Real GDP (% Change)	2.6	2.3	3.2
Employment (% Change)	0.7	-0.7	1.7
Unemployment Rate (%)	12.6	12.4	11.9
Housing Starts (Units)			
Total	3693	3400	3500
Singles	2535	2800	3000
Multiples	1158	600	500
MLS Sales (Units)	3483	3450	3650
Average MLS Price (Dollars)	84951	87000	89500

SOURCES: CMHC, The Canadian Real Estate Association, Statistics Canada, and The Conference Board of Canada.

(F) Forecast by CMHC.



# Quebec

by Mario Vachon

## Highlights

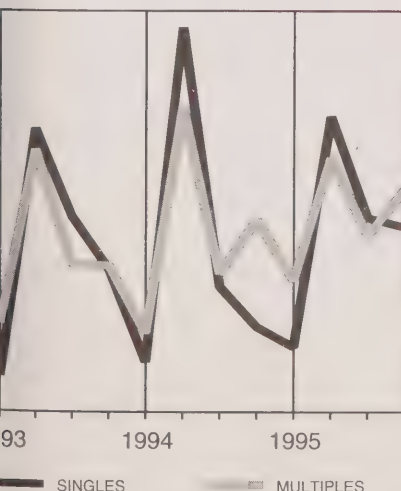
- Housing markets rise in first half of 1994
- Second half to see market on hold
- General upswing returns in 1995

## Housing Markets Rise in First Half of 1994

Quebec's housing sector headed upwards during January-to-June of 1994, the first general improvement seen in two years. Residential construction and resales both registered 17 per cent increases over the first half of last year, with a total of 20,370 housing starts and 19,467 MLS sales for the first six months of 1994.

## Housing Starts QUEBEC

(thousands of units)



SOURCE: CMHC.  
1-95 Forecast.

The upswing is due to a combination of factors. Low interest rates, especially at the beginning of the year, and the creation of 29,000 new jobs over the past six months, have fuelled consumer confidence. In fact, the Conference Board's Consumer Attitudes Index for Quebec was at its highest level since the 1990-1991 recession. In addition, relative house price stability has made it possible for many households to make their homeownership dreams come true.

All this good news brought a flood of first-time buyers into the housing market. Clearly, first-timers were also responding to the federal incentive program that offers them 95 per cent mortgage financing. The volume of mortgage insurance in Quebec surged 68 per cent during the first half of 1994, compared to the same period last year.

The number of housing starts largely targeted to first-time buyers, such as semi-detached houses and condominiums, increased by 24 per cent and 8 per cent respectively. In addition, as of the end of June, increased demand has reduced the volume of new unsold condominium units by 19 per cent.

Move-up buyers were also in the market in the first half of the year. In fact, thanks to the return of first-time buyers to the resale market and to favourable economic conditions, the number of detached housing starts grew by 28 per cent.

Rental construction was the only activity to post a decline, dropping



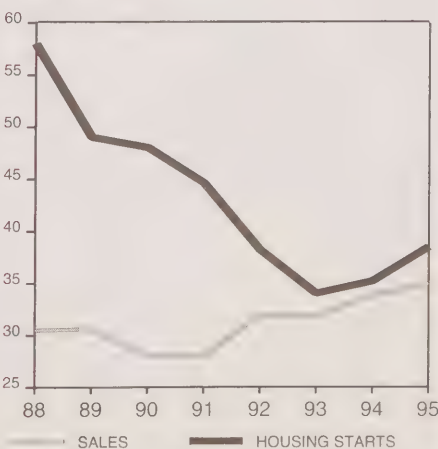
10 per cent compared with the first half of 1993. This year's slide was not as steep, however, as others in recent years.

Promoter interest in new rental projects is still down for two main reasons. Demand for rentals is weak — the result of low net migration and few job opportunities for young workers. Also, the market has a surplus of units, as the April 1994 vacancy rate of 6.2 per cent shows.

On the resale market, conditions have improved. While MLS sales increased by 17 per cent in the first half, the number of new units for sale decreased by 3 per cent, creating a healthier supply/demand balance. The average MLS price was able to rise 1 per cent to \$103,300. Nevertheless, throughout the first half of 1994, the resale market remained a buyer's market.

## Housing Market (1988-1995) QUEBEC

(thousands of units)



SOURCES: CMHC and The Canadian Real Estate Association.  
CMHC: Forecast.



## 1994-95 Outlook

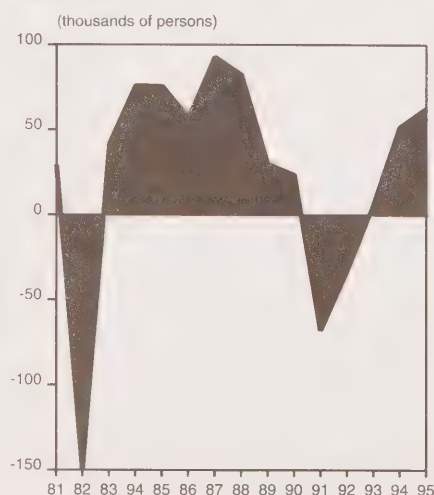
### More Improvement Forecast for 1995

After slowing down in the second half of 1994, the housing market will revitalize in 1995. Starts will total 35,200 in 1994, an increase of 4 per cent over 1993. Next year should bring a stronger upturn — a 9 per cent increase in housing starts for a total of 38,500 units.

The resale market will see the same trend. Over the next six months, the number of MLS transactions will level off to produce an annual total of 33,800, an increase of 6 per cent over 1993. For 1995, resales are expected to increase by 4 per cent for a total of 35,000 units.

The upswing of early 1994 will go on hold during the last half of the year mainly because of repeated interest rate hikes. In fact, markets will bear the brunt of these increases (between March and June) in the second half. Housing starts already declined by 17 per cent in June, while the increase in MLS sale volume levelled off. Interest rate fluctuations — both their timing and magnitude — over the next few

### Employment (1981-1995) Average Annual Job Creation QUEBEC



SOURCE: Statistics Canada.  
CMHC: Forecast.

## IMMIGRANTS AND THE QUEBEC HOUSING MARKET

Immigrants are very important to Quebec's housing industry, especially considering that construction here has been stagnating below 40,000 new units annually for the last six years. Since 1990, Quebec has been receiving an average of 46,000 immigrants a year. These newcomers must find a home even before seeking a job. Consequently, they have an instant economic impact on the housing market.

New immigrants generally enter the rental market first. Then, after a few years, the majority become homeowners, usually buying existing properties. In 1986 (the latest date for which data are available), 14 per cent of householders who had arrived in Quebec within the preceding five years were homeowners compared to 52 per cent of all immigrant households. The proportion of homeowners among immigrants rises in accordance with their arrival dates (except in the case of immigrants who arrived prior to 1946.) This means that the longer immigrants are in the country, the more likely they are to be homeowners.

Immigrants do not spread out evenly throughout Quebec when they settle here. In fact, 88 per cent of all Quebec immigrants put down roots in the Montreal metropolitan area (1991 Census). This is a common pattern among immigrants everywhere — they tend to settle in large metropolitan areas that have international renown and key ports of entry (international airports and ports). Even after initial adjustment periods, most immigrants stay in central cities that offer many jobs and a close-knit network of families and friends. It's therefore no surprise that most Quebec immigrants choose Montreal as their new home.

months will determine how long markets remain hamstrung in 1994 and how well they perform in 1995.

Moreover, interest rate behaviour will also affect the economy in general. After growing by 4.3 per cent in the first half of 1994, Quebec's Gross Domestic Product will post an increase of 3.4 per cent for the whole year and 3.3 per cent in 1995. This will result in 52,000 new jobs in 1994 and 63,000 in 1995,

gains which will build up consumer confidence and stimulate the housing market next year.

First-time buyers will not be as evident in the last six months of 1994 as during the first, when many rushed to buy homes while interest rates were still low. They should return to the housing scene in 1995, as interest rates decline and more jobs are created for the 25-to-44 year age group. As a result, semi-detached and



row houses will be in demand in 1995. Starts in this sector are expected to rise by 9 per cent, the same growth rate as in 1994.

Condominiums will also prove popular among young households and will post a 5 per cent increase in starts.

In addition, 1995 will see more move-up buyers, as resale markets pick up and as job growth for the 45-and-older age group is sustained. In the single-family construction alone, starts will increase by 11 per cent.

As for rentals, the downtrend will likely reverse in 1995, although the improvement will be slight. Better job markets for the 15-24-year olds and a forecast increase in migration should keep the vacancy rate down to 6.1 per cent in April 1995 and to 6.9 per cent in October 1995.

Nevertheless, the rental market will have a surplus of units, which is good news for tenants. The benchmark for a "balanced" rental market is a vacancy rate of about 3 per cent. ■

### Key Provincial Indicators Quebec

	1993	1994 <sup>(F)</sup>	1995 <sup>(F)</sup>
Real GDP (% Change)	2.6	3.4	3.3
Employment (% Change)	0.2	1.8	2.1
Unemployment Rate (%)	13.1	12.6	11.9
Housing Starts (Units)			
Total	34015	35200	38500
Singles	17136	16900	18800
Multiples	16879	18300	19700
MLS Sales (Units)	31875	33800	35000
Average MLS Price (Dollars)	102447	102900	104400

*SOURCES: CMHC, The Canadian Real Estate Association, Statistics Canada, and The Conference Board of Canada.*

*(F) Forecast by CMHC.*



# Ontario

by Alex Medow

## Highlights

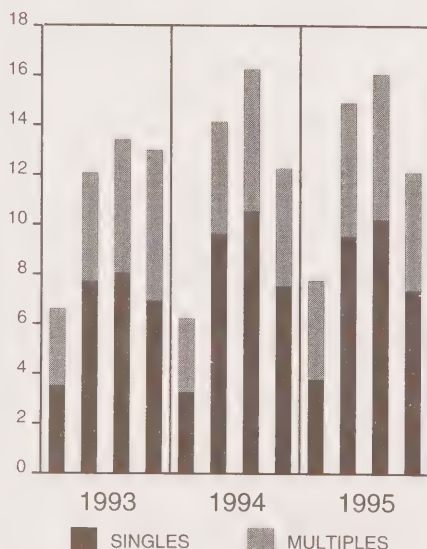
- Singles starts lead market in '94
- Jobs and migration to boost markets
- Resales slip, but still strong

## Starts Pick Up From Last Year's 11-year Low

Affordable home prices, strong first-time buying activity and a return of consumer confidence boosted housing demand in the first half of this year, especially for existing homes. Demand for new homes was also up, but lagged behind the resale numbers.

## Housing Starts ONTARIO

(thousands of units)



SOURCE: CMHC.  
1994-95 Forecast.

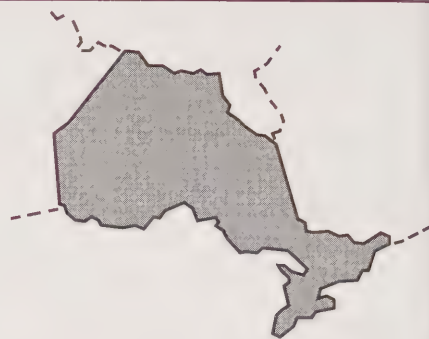
Starts in the first half of 1994 edged up almost a tenth over the same period in 1993. Single and semi-detached home construction was responsible for most of the increase. Condominium starts were lower, while high vacancy rates kept rental starts down.

MLS home sales picked up in the second quarter of 1993 and remained strong throughout 1994. First-half-of-1994 sales jumped by almost a third over the same period last year.

Many renters, encouraged by affordable carrying costs and government homeownership incentive programs, made the switch to homeownership. Others raced to cash in on lower mortgage rates for pre-approved loans. But the province's growing population, improving job prospects and reasonable home prices were the major forces behind the sales boom. In the last five years home prices in most of the province's major metropolitan areas have come down enough that carrying costs, while higher because of the mortgage rate hike, remained reasonable.

Move-up buyers are still cautious. They are waiting to see whether Ontario's markets have indeed hit the turning point of the price cycle and if the recent rise in prices will continue. This would make home purchase worthwhile since the investment would increase in value.

June's resale markets experienced higher prices on a seasonally adjusted basis, with sales edging down in most of Ontario's major metropolitan



areas. MLS price increases should remain modest until Ontario's economy firms up further.

New house prices in seven of Ontario's eight largest metropolitan areas stayed flat or have come down in the first half of this year. The Sudbury/Thunder Bay New House Price Index, which increased moderately, was the notable exception.

## 1994-95 Outlook

### Markets to Make Gains Over Forecast Period

Housing starts will show gradual improvement over the next year and a half, with single-detached construction leading the way in 1994, followed by more multiples next year. Singles starts will jump by almost a fifth in 1994, but will even out next year. First-time buyer demand for affordable homes will boost multiple-unit ownership starts next year, especially starts of ground-level homes. Rental starts, mainly row and apartment units, will be held back by the slow pace of vacancy rate declines. Condominium starts will likely edge up only modestly, despite the lack of condominium construction in the last two years and the depletion of inventories.

The existing home market will feel the impact of the recent rise in interest rates. Higher rates will restrict consumer spending and slow the purchase of existing homes for the remainder of this year and into next. But the strength of the first six

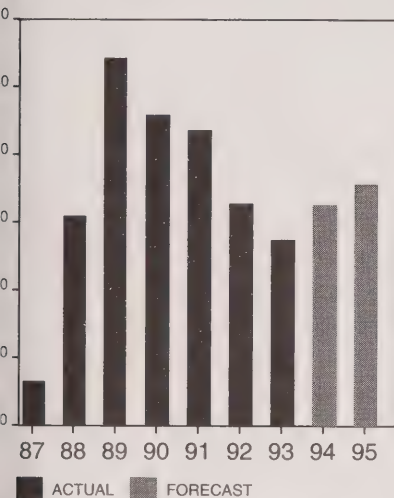


months will still leave 1994 MLS sales considerably higher than those of 1993.

Next year's annual sales numbers will be much the same as this year's. Employment gains over the next year and a half should nudge Ontario's average MLS resale price modestly higher.

### Modest MLS Price Rebound This Year ONTARIO

(thousands of dollars)



SOURCES: The Canadian Real Estate Association.  
HC: Forecast.

Lower vacancy rates are predicted in Ontario's metropolitan areas. But first-time buyer movement from rental to ownership, high youth unemployment and a decline in the youth population, which tends to rent, should keep vacancy rates from falling too quickly. High immigration levels will partially counter these pressures, since many newcomers rent while becoming established and saving for a home.

Toronto's vacancy rate will stay comparatively low because of the many immigrants drawn to the city. Ottawa's relative job stability will keep its vacancy rate one of the lowest among Ontario's major metropolitan areas. Windsor, which can

## THE HIGHS AND LOWS OF ONTARIO'S HOME PRICES

Recent interest rate hikes boosted the mortgage carrying costs of Ontario's average MLS priced home to the highest level in two years. But from a long-term perspective, mortgage carrying costs still remain reasonable and affordable for many potential first-time buyers.

Declines in interest rates and home prices since 1989-90 are the reason for the affordability. For example, the three-year mortgage rate, which rose from 6.5 per cent in May 1994 to 10.4 in June 1994, had peaked at 14.25 per cent in April of 1990. And while the economic recovery is accompanied by modest home price increases, prices in the province's major metropolitan areas are still much lower than five years ago. The greatest declines have been in cities along the Golden Horseshoe (the western shores of lake Ontario) which suffered large employment losses this past recession.

The table below illustrates real average MLS price peaks during Ontario's late-1980s housing boom, the price troughs that followed and the price situation now. In order to better compare prices over time, they were adjusted to constant 1993 dollars using the Ontario Consumer Price Index. Seasonal price variation was removed.

Major Metropolitan Area	Peak Price Month	Peak Price (\$1993)	Trough Price Month	Trough Price (\$1993)	% from Peak	June 94 Price (\$1993)	% from Trough
Hamilton	11/89	192,940	02/93	137,070	-29.0	147,730	7.8
Kitchener	02/90	182,590	09/93	133,710	-26.8	141,180	5.6
London	04/90	153,470	01/94	130,230	-15.1	138,580	6.4
Oshawa	03/89	227,780	10/93	131,390	-42.3	145,520	10.8
Ottawa	10/87	157,250	11/93	135,010	-14.1	143,270	6.1
St. Catharines	02/90	151,810	05/94	118,870	-21.7	125,860	5.9
Sudbury	12/89	124,810	11/93	108,810	-12.8	108,470	-
Thunder Bay	10/90	114,070	01/91	99,260	-13.0	112,150	13.0
Toronto	02/89	316,220	10/93	200,560	-36.6	212,570	6.0
Windsor	02/90	121,640	11/91	99,620	-18.1	121,180	21.6

SOURCES: Average MLS price data from The Canadian Real Estate Association's "Monthly MLS Statistical Survey" were seasonally adjusted and deflated in constant 1993 dollars by CMHC.

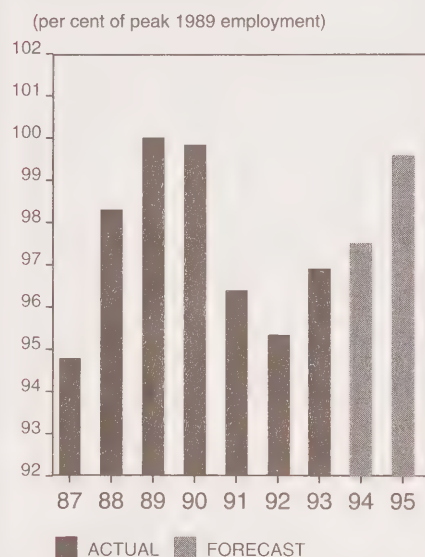


expect an economic boost from major construction projects and a healthy automotive sector, will experience the fastest vacancy rate decline amongst Ontario's urban centres.

## Jobs and Migration Will Lift Housing Demand

Ontario's job market is recovering and net migration to the province is high. These trends will stimulate Ontario's housing markets over the next two years.

### Ontario Employment Recovery



SOURCE: CANSIM.

CMHC: Indexing and forecast.

A brief recap of Ontario's employment record shows that jobs began disappearing in February 1990, and, by March 1992, the province had lost 319,000 jobs, or one out of every 16. A third of the lost jobs returned in the latter half of 1992, but employment figures stayed flat throughout 1993.

The severest losses occurred in the Golden Horseshoe area along the

western shores of Lake Ontario. Toronto lost about one-tenth of its pre-recession employment and has regained little since.

This year's job market has picked up, with moderate gains made in full-time jobs. And salaries have improved, especially in real terms, that is, when adjusted to inflation. Both developments are good news for housing markets.

For the rest of 1994, slow but steady job growth seems likely. Economic recovery in the United States and a low Canadian dollar will boost Ontario's manufactured exports. But the pace of employment growth will remain slower compared to previous recoveries. Job creation in the province's manufacturing sector has been dismal so far. And too many large service industry organizations still face economic uncertainty.

Migration is another very important factor in the housing industry. In the second half of the 1980s, high migration levels played a key role in

over-heating Ontario's housing markets. The province's net migration peaked during 1988 at 157,000. Very strong employment growth and net migration stimulated housing demand, resulting in record levels of sales of existing homes and construction of new homes. In central Ontario, which received most of the migrants, housing shortages resulted in rapid increases in house prices, and vacancy rates were pushed down to almost zero.

With economic and population pressures easing since 1989, housing values in central Ontario have fallen and rental market vacancy rates have increased. By 1991 net migration to Ontario had fallen by two thirds to 53,300 and remained relatively low at 57,500 in 1992.

Last year net migration picked up again, reaching 97,200. During the next two years net migration to Ontario is expected to rise moderately with net gains both from abroad and from the rest of Canada. ■

### Key Provincial Indicators

Ontario	1993	1994 <sup>(F)</sup>	1995 <sup>(F)</sup>
Real GDP (% Change)	2.0	3.1	3.3
Employment (% Change)	1.7	0.7	2.2
Unemployment Rate (%)	10.6	10.2	10.1
Housing Starts (Units)			
Total	45140	49000	51000
Singles	26240	31000	31000
Multiples	18900	18000	20000
MLS Sales (Units)	121071	131000	130000
Average MLS Price (Dollars)	157667	163000	166000

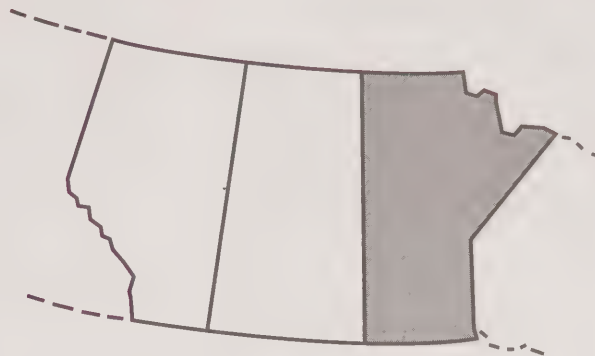
SOURCES: CMHC, The Canadian Real Estate Association, Statistics Canada, and The Conference Board of Canada.

(F) Forecast by CMHC.



# Manitoba

by Richard Goatcher



## Highlights

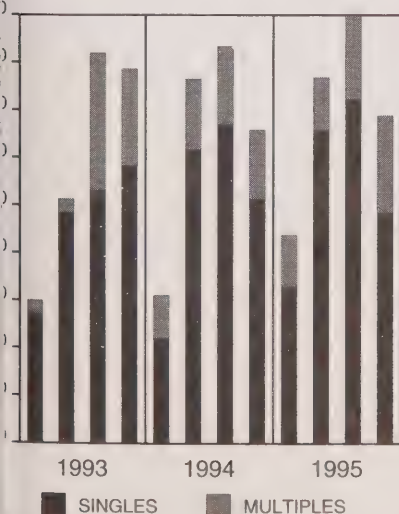
- Economy improving but jobless numbers still high
- New housing activity to increase into 1995
- Winnipeg rental market shows steady improvement

## Housing Markets Enjoy Active First Half

Housing markets in Manitoba improved during the first half of 1994 as relatively low mortgage rates helped overcome a weak labour market. Nevertheless, consumers remained cautious.

## Housing Starts MANITOBA

(Thousands of units)



First-time buyers maintained a strong presence in resale housing, while move-up buyers began returning to both the new and existing home markets, boosting prices in both.

Housing starts across the province jumped by 32 per cent in the first six months, with most of the gains coming in the second quarter. Multiple starts were spurred by increased activity in Winnipeg, as both the rental and condominium markets continued to improve in most sectors of the city. Resales were brisk in the first half with average prices pushed up by strong action in the move-up market.

## 1994-95 Outlook

### Economy on Firmer Footing

Despite a lingering weakness of labour markets in the first half of 1994, conditions throughout the province are expected to improve this year and next. Manufacturing industries have recovered this past year and will continue to do so in 1995, due to increased shipments to the rest of Canada and the US. Winnipeg's garment industry, for example, will increase output, boosted by lower tariffs on textiles and improved demand.

Agriculture-related activities will benefit from good growing conditions and higher grain and oil-seed prices. Mining and base metal production will see modest gains, although overall price increases will be sluggish. The forestry sector will see increased investment in facilities at Swan River and Pine Falls.

Non-residential construction will receive a boost from the federally-funded disease control lab in Winnipeg and an estimated \$200 million in tri-level government spending on infrastructure renewal. Residential construction will see modest benefits from the provincial sales tax rebate of up to \$2,500 for first-time buyers of modestly-priced new homes. Residential renovation will also improve this year due to an estimated \$10 million assistance program from the provincial government.

Restructuring in key industries such as transportation, financial services, utilities and health care could have a dampening effect on the economy. In addition, employment growth across the province will fail to reduce the overall unemployment rate because more job-seekers than can be absorbed will return to the labour market as the economy improves. The continued high jobless figures will, in turn, limit consumer confidence.



## Mortgage Rates Dampen Housing Recovery

Housing markets will continue to improve into 1995, but higher mortgage rates in the second half of this year will keep consumer confidence in check. New housing activity in the second half of 1994 will not be as buoyant as that of same period of 1993. Rising prices and higher financing costs will choke off demand from younger buyers who have seen little income growth in the past year.

This year, for the first time in since 1990, total housing starts across Manitoba will exceed 2500 units. Most of the action will come from upscale buyers, even though provincial government incentives will provide some assistance for first-time buyers. Multiple starts will be sustained by increased interest in seniors' lifelease projects, particularly in Winnipeg.

Resale markets will show better sales numbers both this year and in 1995. First-time buyers will be hampered by higher carrying costs but will continue to find a good supply of affordable units. Average resale prices will hit \$84,000 this year, largely due to improved sales in higher-priced homes.

Winnipeg's resale condominium market is off to a brisk pace this year after making solid gains in 1993. Conversions are putting large numbers of recently-constructed rental apartments onto the condominium market. Sales will keep up into 1995, since this housing form represents an affordable option for many first-time buyers. Strong sales and higher prices will encourage

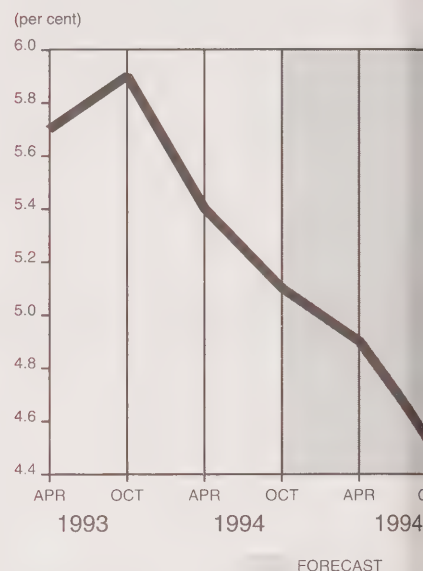
additional conversions and new construction in 1995.

## Winnipeg Rental Market Improvement Continues

Following years of oversupply, apartment vacancies in Winnipeg are gradually declining. In April 1994, the vacancy rate for private rental apartments dropped to 5.4 per cent, the lowest level since April 1989. Vacancies in the city's suburbs have been lower, on average, than in the downtown. This spring, for example, the suburban vacancy rate stood at 4.5 per cent compared with a downtown vacancy rate of 6.6 per cent. The downtown experienced overbuilding during the mid 1980s and will continue to struggle with an oversupply of existing rentals until 1996.

Vacancy rates across Winnipeg are expected to fall into the four per cent range in 1995, primarily due to low levels of multiples construction, the slow pace of economic growth and erosion of homeownership affordability — especially for first-time buyers.

## Vacancy Rates in Private Apartments (Structures with 3+ Units) WINNIPEG C.M.A.



SOURCE: CMHC.

Even though market conditions are improving, new rental-unit construction in Winnipeg will remain weak for the next few years. ■

### Key Provincial Indicators Manitoba

	1993	1994 <sup>(F)</sup>	1995 <sup>(F)</sup>
Real GDP (% Change)	0.2	2.5	3.0
Employment (% Change)	1.2	0.8	1.3
Unemployment Rate (%)	9.2	9.4	9.3
Housing Starts (Units)			
Total	2425	2575	2800
Singles	1874	2025	2200
Multiples	551	550	600
MLS Sales (Units)	10556	11000	11050
Average MLS Price (Dollars)	81739	84000	85500

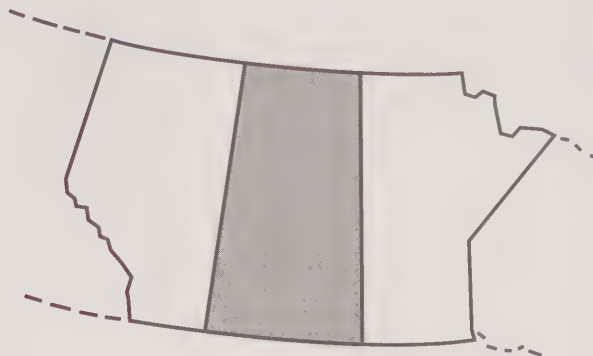
SOURCES: CMHC, The Canadian Real Estate Association, Statistics Canada, and The Conference Board of Canada.

(F) Forecast by CMHC.



# Saskatchewan

by Bruce McDonald and Paul Caton



## Highlights

- Resale markets see rising prices and listings shortage
- Economic recovery is jobless
- Rental vacancies fall
- New construction stalls

## Seller's Market Prevails in Regina and Saskatoon

Saskatchewan's housing markets are strong this year, especially the resale markets in the province's cities.

Existing homes for sale in the major centres are scarce, resulting in the highest average prices in years in

many places. Some neighbourhoods in the cities of Regina and Saskatoon have become seller's markets because of the keen demand, with many homes snapped up as soon as they are listed.

Rental markets are enjoying the lowest level of vacancy rates in more than five years, and further declines are forecast. New housing construction in Saskatchewan shows promise although activity to date has lagged behind last year's solid performance.

Nevertheless, rising crop prices will boost consumer confidence among farmers in 1995 and cause them to invest more in equipment and machinery. Manufacturing will benefit as a result.

The economic growth of 1994 and 1995 will not, however, expand the job market. The unemployment rate will indeed drop over the coming year-and-a-half, but mainly because the labour force will shrink as the population ages and discouraged job seekers give up their quest.

The unemployed include many newcomers to Saskatchewan whose numbers rose in the first quarter of 1994 and whose needs have boosted the provincial government's social assistance payments. In the January-March period, the province saw higher than normal in-migration, reversing the trend of high net out-migration. But out-migration will rise again this year and next, as Saskatchewan's employment prospects remain weak relative to other provinces.

Despite the jobless recovery, there are signs that consumer confidence may be on the mend. Car sales and other retail trade in the first two quarters of 1994 are up significantly from a year ago.

## 1994-95 Outlook

### Primary Industries Lead Jobless Recovery

The strength of primary industries will fuel a 2 per cent growth in the Saskatchewan economy in 1994, and 2.4 per cent growth in 1995. Mining will benefit from higher prices, stronger export demand and a lower Canadian dollar. The success of horizontal drilling will continue to spur investment in the oil patch. Production of other key mineral resources such as natural gas, potash and uranium will also be higher in 1994 and 1995 compared to that of 1993.

Although crop prices have steadily increased and record amounts of land have been seeded in 1994, subsidies to farmers will decline. This is because some subsidy programs are set up to pay less as prices increase.

## Housing Starts SASKATCHEWAN

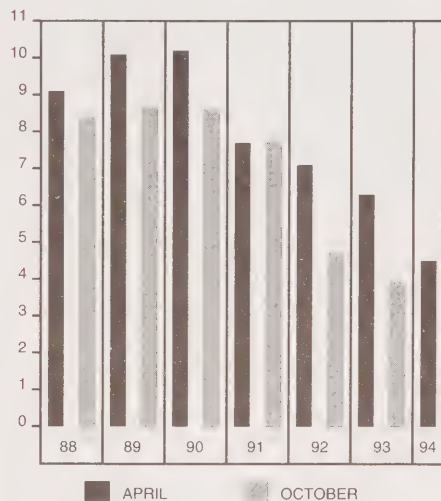


SOURCE: CMHC.  
-95 Forecast.



### Apartment and Row Vacancy Rates (Privately Initiated Units) SASKATCHEWAN

(per cent)



SOURCE: CMHC.

### Housing Markets to Remain Strong

People migrating from rural Saskatchewan to the province's cities will keep up demand for rental and existing housing in 1994 and 1995. Demand in this market is strong because many migrant households have lower incomes or favour temporary housing due to job uncertainty. Steady demand will give property owners the first opportunity they have had in years to raise rents. For the last five years, rents have been flat, while utilities and maintenance costs have increased. Rental income has suffered as a result.

Prices of existing homes in the province are also on the rise, pushed

up by a shortage of listings. First-time buyers have snatched up lower-priced existing homes for sale in Regina and Saskatoon. This has spurred many families to consider buying more expensive homes, contributing to the rise in the average price of resales throughout the province. This record increase in prices, combined with higher mortgage rates will likely soften demand for resales in late 1994, but sales will firm up again in early 1995.

Saskatchewan's new housing market is focused on two main sources of demand — move-up buyers and empty-nesters. The move-up market has been slow so far this year because of many factors. These range from poor weather, which deterred spring homebuyers, to the higher prices of new homes compared with existing ones. The rise of prices in resales and low interest rates

have not yet been enough to stimulate the new residential market.

Meanwhile, the forecast of higher mortgage rates and little employment growth has reduced expectations for singles starts for 1994 and 1995. The forecast for rural singles start is more optimistic because of growing confidence within the farm community.

Strong demand for new multiple condominium housing will persist this year and next, boosted largely by retirees or empty-nester couples. These people are less affected than others by the weak job growth and shaky consumer confidence in Saskatchewan. What's more, they often have enough equity in their homes to buy new condominiums with little or no mortgage financing. This reduces the impact of rising interest rates for these buyers. ■

#### Key Provincial Indicators Saskatchewan

	1993	1994 <sup>(F)</sup>	1995 <sup>(F)</sup>
Real GDP (% Change)	3.5	2.0	2.4
Employment (% Change)	0.0	0.0	0.5
Unemployment Rate (%)	8.0	7.6	7.5
Housing Starts (Units)			
Total	1880	1750	2000
Singles	1342	1400	1550
Multiples	538	350	450
MLS Sales (Units)	7375	7400	7300
Average MLS Price (Dollars)	70698	73786	75704

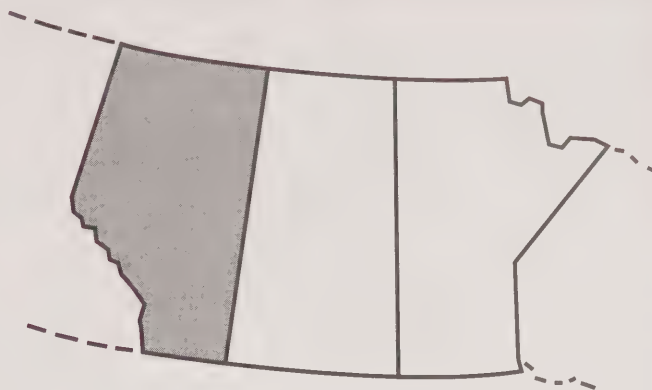
SOURCES: CMHC, The Canadian Real Estate Association, Statistics Canada, and The Conference Board of Canada.

(F) Forecast by CMHC.



# Alberta

by David Peever and Elizabeth Woodman



## Highlights

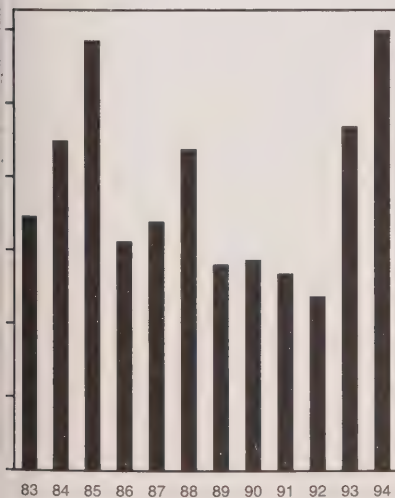
- Energy industry fuels Alberta economy
- Mortgage rate hikes to dampen sales over rest of 1994
- Outlook to improve marginally in 1995

## First Half of '94 Marked by Strong Economy and Housing Markets

Led by continuing growth in the energy sector, the Alberta economy performed well during the first half of 1994. Higher-than-expected oil prices, and rising natural gas exports, mean a record 12,000 wells will be drilled this year.

## Wells Drilled in Western Canada - ALBERTA

(thousands of wells drilled)



SOURCE: Canadian Association of Oilwell Drilling

Alberta's forestry sector was also buoyant, benefitting from a shortage of timber in B.C. mills, high lumber prices, and rising pulp prices. Strong performances by petrochemicals, oilseeds, and tourism round out the good news. Nevertheless, spending cuts by the provincial government may raise concerns about job security within a significant portion of the labour force. On balance, employment is expected to rise by 2 per cent in 1994, and a further 1.6 per cent in 1995.

Residential construction and resales were stronger during the first half than had been expected, in response to historic lows in mortgage rates at the beginning of the year. The overall figures, however, mask important geographic differences, particularly between Calgary and Edmonton (see accompanying article).

## 1994-95 Outlook

### Interest Rates and Oversupply to Dampen Housing Sales

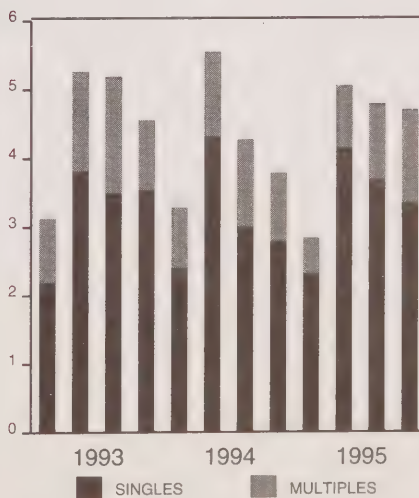
For the balance of 1994, starts and resales will be undermined by high mortgage rates. Consumers were already faced with sharp interest rate hikes during the second quarter. Although current rates are not unaffordable compared with pre-1992 levels, recent developments make them more onerous.

In 1991, consumer price inflation in Alberta was significantly higher than now — about 5 to 6 per cent, compared to current rates of about 1 per cent. Moreover, the 5 per cent wage rollbacks accepted by many provincial public-sector employees are setting the standard for the private sector as well. These factors make consumers more conscious of double-digit mortgage rates.

Although Alberta's economy will stay strong in 1995, the effect of higher interest rates and an excess of housing inventory will persist. Housing starts will show a modest increase for 1994, as gains in Calgary are offset by declines in Edmonton, particularly in multiple-unit construction.

## Housing Starts ALBERTA

(thousands of units)



SOURCE: CMHC.  
1994-95 Forecast.



Resales will increase slightly, as the oversupply of listings keeps price growth low, making existing homes more competitive with the new home market. Most rental markets in the province will see gains, as higher interest rates make renting a more competitive option, and as more rental units are sold as condominiums. The exception will continue to be the Edmonton rental market, where the vacancy rate will peak in April at 10 per cent. ■

### Key Provincial Indicators Alberta

	1993	1994 <sup>(F)</sup>	1995 <sup>(F)</sup>
Real GDP (% Change)	5.2	3.4	3.0
Employment (% Change)	1.0	2.0	1.6
Unemployment Rate (%)	9.6	9.1	9.0
Housing Starts (Units)			
Total	18151	16900	17400
Singles	13040	12500	13500
Multiples	5111	4400	3900
MLS Sales (Units)	37024	34500	35500
Average MLS Price (Dollars)	117085	119500	121000

SOURCES: CMHC, The Canadian Real Estate Association, Statistics Canada, and The Conference Board of Canada.

(F) Forecast by CMHC.

## A TALE OF TWO CITIES

Readers familiar with the long-standing rivalry between Alberta's two major cities will understand the satisfaction which greeted the 1993 housing starts totals in Edmonton. The capital, with 6,720 starts, had a higher total than Calgary (6,629) for the first time since 1988.

Since then, the Edmonton housing industry has been short of good news:

- The high volume of new construction in 1993 was a result of a big increase in multi-family starts. But a large speculative component in those starts left the new condominium market oversupplied — setting the stage for a sharp drop in condominium starts this year.
- An oversupply has also developed in the resale market. An unprecedented number of rental units are for sale as condominiums, contributing to record-high levels of active MLS listings.
- The vacancy rate in Edmonton apartments reached a 10-year high in April.
- Single-family MLS sales, and new single-family construction, have declined so far in 1994.

To the south, the picture could hardly be more different. Single-family starts and MLS sales in Calgary were both above 1993's already high levels during the first five months of 1994. The new condominium market began the year without excess inventory, and several new projects are under consideration. After peaking in April 1993, the

apartment vacancy rate was lower in April 1994.

Why the difference? The Calgary economy has benefitted from the strong recovery in natural gas sales and prices. For the first time in nearly a decade, energy-sector firms are looking to hire, rather than fire, professional staff. Other sectors, such as agriculture, expect growth as well. Statistics Canada data suggest that some 10,000 new jobs have been created in Calgary to date in 1994. The confidence inspired by record gas sales, and by the provincial government's resolve to eliminate the deficit, has been infectious.

While Calgary's economy has traditionally depended on the private sector, Edmonton, as the provincial capital, has a more public-sector orientation. The elimination of over \$3 billion in provincial government spending, and budget cuts of from five to 45 per cent in government departments, have reduced Edmonton's employment and undermined its consumer confidence.

*Stay current on housing in Calgary and Edmonton — subscribe to the Housing Forecast, produced for each city in the spring and autumn. Call the Market Analysis Department in Calgary at (403) 292-6279, or Edmonton at (403) 482-8735, or your nearest CMHC office.*

### How do the Calgary and Edmonton Markets Compare

Data for January-June (chg from '93) unless otherwise indicated

	CALGARY		EDMONTON	
<b>New Home Market:</b>				
Single-family starts	2,900	(+19%)	1,776	(−16%)
Multi-family starts	364	(−44%)	1,000	(−26%)
Inventory of row & apt. units (June 1994)				
Complete and Unoccupied	118	(−20%)	410	(+50%)
Under Construction	508	(−28%)	1,571	(+6.0%)
<b>Existing Home Market:</b>				
MLS Residential Sales	8,719	(−0.9%)	5,342	(−9.2%)
MLS Average Residential Price	—	(+1.0%)	\$113,775	(+1.1%)
MLS Active Listings (end of May)	6,299	(−16.1%)	7,683	(+28.1%)
<b>Rental Market:</b>				
Apartment Vacancy Rate, April 1994, (Change from April 1993, percentage points)	6.3%	(−0.7)	9.1%	(+3.6)



# British Columbia

by Helmut Pastrick

## Highlights

- Rate hikes hit housing sales
- Job and population growth high, but interest rates pose problem
- Housing market levels off

## Steep Rate Hikes Push Housing Sales Down

The largest series mortgage rate hikes in over four years hit housing sales hard in the second quarter of 1994. By early summer, rates were at their highest level in over two years, resulting in very slow sales. Many hopeful first-time buyers could not afford those higher rates, while other potential buyers waited on the sidelines for rates to decline.

Housing prices still held up during the second quarter, but will eventually follow sales down. There is usually a one- to three-month lag between changes in sales volume and prices. Price erosion is expected to be moderate, however, since listings on the market are going down and demand is expected to pick-up later in the year.

After a heady first quarter, new construction sagged. This was mainly because apartment construction fell off due to tight financing and the perception of oversupply in some segments. However, single-family and condominium townhouse starts ran counter to that trend and

remained strong. Current high mortgage rates have yet to impact the new housing market.

Meanwhile, brisk sales reduced the supply of newly completed and unsold inventory of apartment condominiums. Most of the sales occurred before the run-up in rates, the result of pre-selling, which is a common and necessary feature in this market. Pre-selling is particularly high in buildings under construction. Barring any further substantial rate hikes, which would dampen demand, unsold apartment condominiums should stay at moderate levels.

## 1994-95 Outlook

### Job Growth Picking Up

A lower Canadian dollar and a stronger U.S. economic recovery are boosting exports and tourism in B.C., which is translating into more jobs. So far this year, employment has been up about 5 per cent over last year. Growth is forecast to remain quite high and will cause the unemployment rate to drop below 9 per cent in 1995. More people working means higher incomes, which will strengthen housing demand.

The province's resource sector is expected to benefit from rising world demand. Higher prices and profits could set the stage for some major capital investment. Forestry will post healthy profits this year and next due to stronger export markets and a



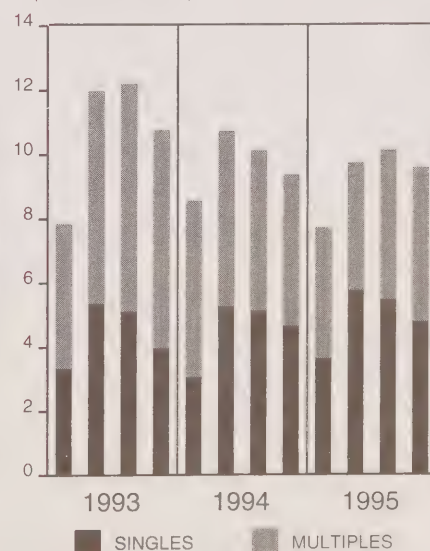
declining currency. Mining will take a little longer to perk up.

High population growth is also boosting the economy. Net migration this year and next is forecast to stay very high, although it will be lower than last year's record level. The reduction will be offset — but only partially — by high migration from outside the country. A stronger economic recovery in central Canada will reduce the flow of people to B.C.

Job growth, higher incomes and population inflows, will boost housing demand, but this will be tempered by consumer concerns over financing. Interest rates will be volatile and a challenge to buyer confidence.

## Housing Starts BRITISH COLUMBIA

(thousands of units)

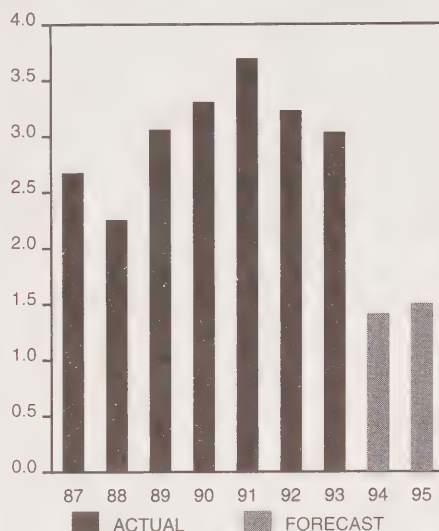


SOURCE: CMHC.  
1994-95 Forecast.



## Rental Starts Urban British Columbia

(thousands of units)



Note: Apartment and row units, private and assisted rental.

SOURCE: CMHC.

## Housing Market Levels Off

The strong housing expansion of the past three years is levelling off since mortgage rates are not the catalyst that they once were. The expanding economy and population growth will provide some boost, but not enough to generate the previous large, rapid gains in volume and price. Later this year and early next, the housing market is expected to recover from its sales doldrums as mortgage rates decline. Listings will build up until then, however, and will result in some temporary price weakness. Some choppy movement of the market is forecast for the coming year-and-a-half, but overall, it will hold up and level off.

Although B.C. markets have hit a plateau, some new trends are emerging:

- Housing markets will see more equity buyers and fewer first-time buyers because of the recent rise in interest rates.
- Singles starts are heading up after a year-long decline.
- More building lots are coming on stream in some markets.
- Row-house starts are gaining momentum, as are semi-detached condominium starts. These three sectors (singles, row-houses and semis) will boost housing starts over the next year-and-a-half.

For apartment condominiums, however, construction is expected to drop off. By 1995, there will be about a quarter fewer starts than the record level set in 1993. Financing constraints, particularly for high-rise product, will be the major cause of this decline. Also, demand by first-timers will fall off, a factor which affects this sector more than other new housing sectors. In addition, this market will be affected by changes to legislation governing rental properties.

Recently, the B.C. government announced amendments to the Residential Tenancy Act which would limit rent increases to a "justifiable" amount. This term remains to be defined, but will likely be based on operating costs. The amendments are expected to be proclaimed by the end of 1994 and will be retroactive to December 1993. Apartment condominium starts will be affected since some of these units — perhaps 10 to 20 per cent — are bought by investors for the rental market. Rental starts declined to 600 units during the first half of this year from 1,400 units over the same period last year. For the year as a whole, rental starts are forecast to drop by a half over last year.

Rental vacancy rates will continue to decline. Lower production, fewer renters moving into the ownership market, and growing demand due to rising population and income will combine to make rental units more scarce. ■

## Key Provincial Indicators British Columbia

	1993	1994 <sup>(F)</sup>	1995 <sup>(F)</sup>
Real GDP (% Change)	4.8	4.6	4.3
Employment (% Change)	2.8	4.3	3.7
Unemployment Rate (%)	9.7	9.4	8.8
Housing Starts (Units)			
Total	42807	38800	37200
Singles	17787	18100	19600
Multiples	25020	20700	17600
MLS Sales (Units)	80919	79600	82000
Average MLS Price (Dollars)	211992	222000	229000

SOURCES: CMHC, The Canadian Real Estate Association, Statistics Canada, and The Conference Board of Canada.

(F) Forecast by CMHC.



## Housing Starts

**Total**  
(units and annual per cent change)

	1989	1990	1991	1992	1993	1994 <sup>(F)</sup>	1995 <sup>(F)</sup>
NFLD	3536	3245	2836	2271	2405	2300	2200
%	11.6	-8.2	-12.6	-19.9	5.9	-4.4	-4.3
PEI	815	762	553	644	645	690	650
%	-29.2	-6.5	-27.4	16.5	0.2	7.0	-5.8
NS	5359	5560	5173	4673	4282	4000	4150
%	-2.2	3.8	-7.0	-9.7	-8.4	-6.6	3.8
NB	3681	2683	2872	3310	3693	3400	3500
%	1.7	-27.1	7.0	15.3	11.6	-7.9	2.9
QUE	49058	48070	44654	38228	34015	35200	38500
%	-15.5	-2.0	-7.1	-14.4	-11.0	3.5	9.4
ONT	93337	62649	52794	55772	45140	49000	51000
%	-6.6	-32.9	-15.7	5.6	-19.1	8.6	4.1
MAN	4084	3297	1950	2310	2425	2575	2800
%	-25.1	-19.3	-40.9	18.5	5.0	6.2	8.7
SASK	1906	1417	998	1869	1880	1750	2000
%	-50.6	-25.7	-29.6	87.3	0.6	-6.9	14.3
ALTA	14712	17227	12492	18573	18151	16900	17400
%	29.5	17.1	-27.5	48.7	-2.3	-6.9	3.0
BC	38894	36720	31875	40621	42807	38800	37200
%	27.6	-5.6	-13.2	27.4	5.4	-9.4	-4.1
CAN	215382	181630	156197	168271	155443	*154600	*159400
%	-3.2	-15.7	-14.0	7.7	-7.6	-0.5	3.1

SOURCE: CMHC.

(F) Forecast.

\* Total does not add due to rounding.



## Housing Starts

### Singles (units and annual per cent change)

	1989	1990	1991	1992	1993	1994 <sup>(F)</sup>	1995 <sup>(F)</sup>
NFLD	2932	2468	2135	1611	1559	1525	1500
%	3.3	-15.8	-13.5	-24.5	-3.2	-2.2	-1.6
PEI	456	483	376	421	460	500	500
%	-35.2	5.9	-22.2	12.0	9.3	8.7	0.0
NS	3361	3639	2604	3232	3126	3025	3050
%	-13.1	8.3	-28.4	24.1	-3.3	-3.2	0.8
NB	2909	2137	2154	2391	2535	2800	3000
%	-1.5	-26.5	0.8	11.0	6.0	10.5	7.1
QUE	24493	24942	22531	18564	17136	16900	18800
%	-11.7	1.8	-9.7	-17.6	-7.7	-1.4	11.2
ONT	53511	32425	26290	27868	26240	31000	31000
%	-6.3	-39.4	-18.9	6.0	-5.8	18.1	0.0
MAN	2966	2847	1589	1683	1874	2025	2200
%	-17.6	-4.0	-44.2	5.9	11.3	8.1	8.6
SASK	1383	1087	775	1484	1342	1400	1550
%	-38.4	-21.4	-28.7	91.5	-9.6	4.3	10.7
ALTA	12345	13809	9778	14125	13040	12500	13500
%	27.6	11.9	-29.2	44.5	-7.7	-4.1	8.0
BC	21612	18478	18335	21472	17787	18100	19600
%	21.7	-14.5	-0.8	17.1	-17.2	1.8	8.3
CAN	125968	102315	86567	92851	85099	*89800	*94700
%	-1.9	-18.8	-15.4	7.3	-8.3	5.5	5.5

### Multiples (units and annual per cent change)

	1989	1990	1991	1992	1993	1994 <sup>(F)</sup>	1995 <sup>(F)</sup>
NFLD	604	777	701	660	846	775	700
%	83.6	28.6	-9.8	-5.8	28.2	-8.4	-9.7
PEI	359	279	177	223	185	190	150
%	-19.7	-22.3	-36.6	26.0	-17.0	2.7	-21.1
NS	1998	1921	2569	1441	1156	975	1100
%	24.0	-3.9	33.7	-43.9	-19.8	-15.7	12.8
NB	772	546	718	919	1158	600	500
%	15.6	-29.3	31.5	28.0	26.0	-48.2	-16.7
QUE	24565	23128	22123	19664	16879	18300	19700
%	-19.0	-5.8	-4.3	-11.1	-14.2	8.4	7.7
ONT	39826	30224	26504	27904	18900	18000	20000
%	-7.0	-24.1	-12.3	5.3	-32.3	-4.8	11.1
MAN	1118	450	361	627	551	550	600
%	-39.7	-59.7	-19.8	73.7	-12.1	-0.2	9.1
SASK	523	330	223	385	538	350	450
%	-67.5	-36.9	-32.4	72.6	39.7	-34.9	28.6
ALTA	2367	3418	2714	4448	5111	4400	3900
%	40.1	44.4	-20.6	63.9	14.9	-13.9	-11.4
BC	17282	18242	13540	19149	25020	20700	17600
%	35.8	5.6	-25.8	41.4	30.7	-17.3	-15.0
CAN	89414	79315	69630	75420	70344	*64800	*64700
%	-5.0	-11.3	-12.2	8.3	-6.7	-7.9	-0.2

SOURCE: CMHC.

(F) Forecast.

\* Total does not add due to rounding.



## Housing Starts

### Multiples, by Area and Tenure (units)

	Centres 10,000 Population and Over						Other Areas	All Areas Total
	Rental/Co-op Private      Assisted		Total Rental	Condo	Other*	Total 10,000+		
NFLD								
1993	49	82	131	6	576	713	133	846
1994	50	14	64	30	590	684	91	775
1995	50	0	50	100	510	660	40	700
PEI								
1993	150	13	163	0	0	163	22	185
1994	140	10	150	0	0	150	40	190
1995	130	10	140	0	0	140	10	150
NS								
1993	484	95	579	0	499	1078	78	1156
1994	464	71	535	0	350	885	90	975
1995	660	0	660	0	350	1010	90	1100
NB								
1993	711	0	711	50	0	761	397	1158
1994	450	0	450	50	0	500	100	600
1995	325	0	325	50	0	375	125	500
QUE								
1993	4113	570	4683	5672	5527	15882	997	16879
1994	3850	550	4400	6200	6000	16600	1700	18300
1995	4300	350	4650	6500	6550	17700	2000	19700
ONT								
1993	2023	7195	9218	3268	5240	17726	1174	18900
1994	1200	5800	7000	3400	6500	16900	1100	18000
1995	1700	6500	8200	3700	6600	18500	1500	20000
MAN								
1993	160	0	160	204	32	396	155	551
1994	200	125	325	100	25	450	100	550
1995	280	20	300	150	50	500	100	600
SASK								
1993	10	140	150	308	41	499	39	538
1994	90	20	110	170	20	300	50	350
1995	110	40	150	210	50	410	40	450
ALTA								
1993	514	0	514	2625	1355	4494	617	5111
1994	138	0	138	2622	690	3450	950	4400
1995	122	0	122	2318	610	3050	850	3900
BC								
1993	2777	384	3161	19573	1141	23875	1145	25020
1994	1150	390	1540	16410	1500	19450	1250	20700
1995	1200	400	1600	13200	1700	16500	1100	17600
CAN								
1993	10991	8479	19470	31706	14411	65587	4757	70344
1994	7732	6980	14712	28982	15675	59369	5471	**64800
1995	8877	7320	16197	26228	16420	58845	5855	**64700

SOURCE: CMHC.

1993 Actual, 1994-95 Forecast.

\* Includes homeowner and unclassified units.

\*\* Total does not add due to rounding.



## Housing Starts

### Total New House Price Index\* (annual per cent change)

	1989	1990	1991	1992	1993	1994 <sup>(F)</sup>	1995 <sup>(F)</sup>
ST. JOHN'S	5.4	3.6	7.2	0.8	0.1	0.5	1.0
HALIFAX	1.8	0.3	-0.2	1.1	3.0	2.4	1.0
SAINT JOHN	3.5	1.4	0.9	0.9	-0.1	-1.0	-0.5
QUEBEC CITY	6.9	3.3	2.8	0.8	-0.3	-0.1	0.2
MONTREAL	3.4	2.7	0.6	0.1	0.8	0.1	0.3
OTTAWA	5.6	3.9	-0.4	0.1	-0.6	0.1	0.7
TORONTO	22.4	-3.8	-15.1	-4.4	-2.4	-0.6	1.1
HAMILTON	8.4	2.3	-5.9	-3.6	-2.6	-0.5	1.2
ST. CATHARINES	8.4	7.0	-3.5	-2.4	-3.2	-4.4	1.0
KITCHENER	10.3	2.0	-7.8	-3.0	0.8	-1.6	1.2
LONDON	9.7	5.7	0.5	0.2	-0.1	0.3	1.0
WINDSOR	8.9	4.4	0.0	-0.1	-0.5	0.4	1.5
SUDBURY- THUNDER BAY	6.6	5.6	0.3	-0.5	1.9	0.2	1.3
WINNIPEG	-0.4	1.9	-0.2	-0.1	3.5	3.2	3.0
REGINA	1.6	1.8	2.4	4.6	5.5	3.8	2.0
SASKATOON	0.7	0.7	-0.8	0.5	3.4	1.5	2.0
CALGARY	7.2	12.4	-2.7	0.6	3.1	3.0	2.5
EDMONTON	8.3	15.9	2.2	0.9	3.5	2.7	1.3
VANCOUVER	15.6	5.7	-7.2	8.8	7.7	-1.0	3.6
VICTORIA	10.0	7.0	-1.5	4.9	3.0	0.9	0.4
CANADA	13.2	1.5	-6.9	0.0	1.2	-0.5	1.6

SOURCE: Statistics Canada.

(F) Forecast by CMHC.

\* Includes both house and land components.



## MLS Activity

### Total Residential Sales (units and annual per cent change)

	1989	1990	1991	1992	1993	1994 <sup>(F)</sup>	1995 <sup>(F)</sup>
NFLD	2040	1998	1892	1829	1867	1900	1900
%	-8.0	-2.1	-5.3	-3.3	2.1	1.8	0.0
PEI	626	742	764	604	654	660	625
%	24.0	18.5	3.0	-20.9	8.3	0.9	-5.3
NS	5863	6072	5811	7107	7180	6700	6500
%	2.2	3.6	-4.3	22.3	1.0	-6.7	-3.0
NB	3490	3316	3259	3550	3483	3450	3650
%	-0.8	-5.0	-1.7	8.9	-1.9	-0.9	5.8
QUE	30618	28067	28005	31946	31875	33800	35000
%	0.4	-8.3	-0.2	14.1	-0.2	6.0	3.6
ONT	142914	102792	126143	131380	121071	131000	130000
%	-11.0	-28.1	22.7	4.2	-7.8	8.2	-0.8
MAN	10375	9356	9521	11383	10556	11000	11150
%	-6.8	-9.8	1.8	19.6	-7.3	4.2	1.4
SASK	6850	6405	6505	7829	7375	7400	7300
%	-6.2	-6.5	1.6	20.4	-5.8	0.3	-1.4
ALTA	36249	33085	34360	38545	37024	34500	35500
%	19.4	-8.7	3.9	12.2	-3.9	-6.8	2.9
BC	83562	58027	84554	93564	80919	79600	82000
%	23.9	-30.6	45.7	10.7	-13.5	-1.6	3.0
CAN**	322587	249860	300814	327737	302004	*310000	*313600
%	1.0	-22.5	20.4	9.0	-7.9	2.6	1.2

### Average Residential Price (dollars and annual per cent change)

	1989	1990	1991	1992	1993	1994 <sup>(F)</sup>	1995 <sup>(F)</sup>
NFLD	83284	88654	90823	91591	91243	93000	94000
%	8.4	6.4	2.4	0.8	-0.4	1.9	1.1
PEI	74167	69284	71034	75570	72424	72500	75000
%	13.3	-6.6	2.5	6.4	-4.2	0.1	3.4
NS	82328	84649	86462	89361	88965	91900	93300
%	3.4	2.8	2.1	3.4	-0.4	3.3	1.5
NB	75848	77752	80897	82478	84951	87000	89500
%	5.2	2.5	4.0	2.0	3.0	2.4	2.9
QUE	100517	100811	102795	102311	102447	102900	104400
%	5.4	0.3	2.0	-0.5	0.1	0.4	1.5
ONT	184605	175859	173723	162827	157667	163000	166000
%	14.5	-4.7	-1.2	-6.3	-3.2	3.4	1.8
MAN	82401	79961	80445	80686	81739	84000	85500
%	2.5	-3.0	0.6	0.3	1.3	2.8	1.8
SASK	70417	68963	67697	68406	70698	73786	75704
%	3.0	-2.1	-1.8	1.0	3.4	4.4	2.6
ALTA	98542	108675	111482	113558	117085	119500	121000
%	10.0	10.3	2.6	1.9	3.1	2.1	1.3
BC	151504	157616	168235	189999	211992	222000	229000
%	25.2	4.0	6.7	12.9	11.6	4.7	3.2
CAN**	148776	143432	149749	150761	153575	*158800	*162500
%	13.1	-3.6	4.4	0.7	1.9	3.4	2.3

SOURCE: The Canadian Real Estate Association.

(F) Forecast by CMHC.

\* Total does not add due to rounding.

\*\* Excludes Yukon and Northwest Territories.



## Vacancy Rate

### Apartment Structures of Three Units & Over Privately Initiated, by Metropolitan Area (per cent)

	*Number of Units	1993		1994		1995	
		APR	OCT	APR	OCT <sup>(F)</sup>	APR <sup>(F)</sup>	OCT <sup>(F)</sup>
CALGARY	47369	7.0	5.9	6.3	5.0	5.5	4.7
CHICOUTIMI- JONQUIÈRE	8230	5.4	6.3	5.3	6.0	5.1	5.8
EDMONTON	66242	5.5	6.5	9.1	9.4	10.0	9.0
HALIFAX	30933	7.1	6.3	7.2	7.4	8.0	8.4
HAMILTON	43167	2.8	2.7	2.7	2.6	2.5	2.4
KITCHENER	26088	5.3	4.3	4.2	4.1	3.9	3.8
LONDON	39915	3.9	3.8	4.7	4.2	4.1	3.7
MONTREAL	455738	6.4	7.7	6.4	7.8	6.5	7.4
OSHAWA	11178	5.8	4.6	4.1	3.6	3.6	3.2
OTTAWA	61493	1.8	1.8	2.5	2.1	2.3	1.7
HULL	18204	3.6	4.5	4.7	5.1	4.7	4.5
QUÉBEC CITY	70899	5.3	6.0	5.7	5.6	4.6	5.4
REGINA	12206	4.6	3.6	4.1	3.6	4.4	3.5
ST. CATHARINES- NIAGARA	16745	5.3	4.9	6.0	5.4	5.0	4.6
SAINT JOHN	7939	7.8	6.3	8.7	6.9	9.0	7.3
ST. JOHN'S	4721	7.9	8.8	10.6	9.4	10.0	9.0
SASKATOON	17774	6.7	2.7	4.0	3.0	3.5	3.5
SHERBROOKE	23244	8.0	7.6	6.2	5.9	5.5	5.5
SUDBURY	10677	5.1	3.8	5.1	4.0	5.5	4.0
THUNDER BAY	5323	3.2	2.7	4.4	4.5	4.6	4.0
TORONTO	298344	2.1	2.0	1.8	1.7	1.6	1.5
TROIS-RIVIÈRES	15538	7.0	6.5	6.3	6.1	5.4	5.2
VANCOUVER	109077	2.0	1.1	1.4	1.2	1.3	0.9
VICTORIA	24710	2.1	1.8	3.0	2.2	2.8	1.9
WINDSOR	14627	3.0	2.7	2.6	1.8	1.4	0.9
WINNIPEG	56832	5.7	5.9	5.4	5.1	4.9	4.5
CANADA**	1497213	4.6	4.8	4.8	4.9	4.5	4.6

SOURCE: CMHC.

(F) Forecast.

\* Total number of units in April 1994.

\*\* Weighted average of Metropolitan areas surveyed.



## Labour Markets

### Employment (annual per cent change)

	1989	1990	1991	1992	1993	1994 <sup>(F)</sup>	1995 <sup>(F)</sup>
NFLD	4.1	0.0	-2.0	-4.6	-1.1	1.6	0.0
PEI	0.0	1.9	-3.6	0.0	0.0	1.9	1.8
NS	1.9	1.6	-2.1	-2.7	-1.1	1.8	1.1
NB	1.4	2.5	-1.7	1.0	0.7	-0.7	1.7
QUE	1.0	0.8	-2.2	-1.1	0.2	1.8	2.1
ONT	1.8	-0.2	-3.4	-1.2	1.7	0.7	2.2
MAN	0.8	1.4	-2.4	-1.8	1.2	0.8	1.3
SASK	-1.1	0.7	-0.2	-1.8	0.0	0.0	0.5
ALTA	2.3	1.4	1.2	-0.5	1.0	2.0	1.6
BC	5.6	2.4	1.4	1.9	2.8	4.3	3.7
CAN	2.0	0.7	-1.8	-0.8	1.2	1.5	2.1

### Unemployment Rate (per cent)

	1989	1990	1991	1992	1993	1994 <sup>(F)</sup>	1995 <sup>(F)</sup>
NFLD	15.8	17.1	18.4	20.2	20.2	20.6	20.9
PEI	14.1	14.9	16.8	17.7	17.7	18.1	17.6
NS	9.9	10.5	12.0	13.1	14.6	14.2	14.1
NB	12.5	12.1	12.7	12.8	12.6	12.4	11.9
QUE	9.3	10.1	11.9	12.8	13.1	12.6	11.9
ONT	5.1	6.3	9.6	10.8	10.6	10.2	10.1
MAN	7.5	7.2	8.8	9.6	9.2	9.4	9.3
SASK	7.4	7.0	7.4	8.2	8.0	7.6	7.5
ALTA	7.2	7.0	8.2	9.5	9.6	9.1	9.0
BC	9.1	8.2	9.9	10.4	9.7	9.4	8.8
CAN	7.5	8.1	10.3	11.3	11.2	10.9	10.5

SOURCE: Statistics Canada.  
(F) Forecast by CMHC.



## Demographics

### Total Net Migration\* (number of persons)

	1989	1990	1991	1992	1993	1994 <sup>(F)</sup>	1995 <sup>(F)</sup>
NFLD	-1974	-835	-1785	-3737	-3062	-3400	-4600
PEI	24	-134	-1558	527	736	700	500
NS	2259	612	172	-2761	211	1994	2226
NB	74	870	-2495	-2772	-1075	-1000	-975
QUE	27443	18583	19730	18584	14069	13400	17800
ONT	133708	75708	53512	57489	97160	117000	123000
MAN	-6061	-3903	-5932	-5854	-2828	-2900	-3400
SASK	-17207	-14328	-9304	-8122	-7123	-8300	-9300
ALTA	15008	23017	8260	1641	7469	9200	10000
BC	65677	64035	50094	60295	77541	74000	71000
CAN**	218951	163625	110694	115290	183098	200694	206251

SOURCE: Statistics Canada.

(F) Forecast by CMHC.

\* Sum of the interprovincial migration, international migration and non-permanent residents.

\*\* Excludes Yukon and Northwest Territories.



## Major Housing Indicators

Seasonally adjusted at annual rates  
Levels and quarterly per cent change)

	92:Q4	93:Q1	93:Q2	93:Q3	93:Q4	94:Q1	94:Q2
<b>New housing</b>							
Building permits, units, thousands	163.0	152.2	155.8	164.3	161.6	164.6	173.0
%	0.6	-6.6	2.3	5.4	-1.6	1.8	5.1
Housing starts, total, thousands	164.6	148.9	155.3	157.8	162.4	151.9	166.7
%	0.2	-9.5	4.3	1.6	2.9	-6.5	9.7
Housing starts, singles, thousands	97.8	74.9	89.4	89.2	81.7	73.6	103.2
%	9.2	-23.4	19.4	-0.2	-8.4	-9.9	40.2
Housing starts, multiples, thousands	66.8	74.0	65.9	68.6	80.7	78.3	63.5
%	-10.5	10.8	-10.9	4.1	17.6	-3.0	-18.9
Housing completions, total, thousands	171.0	152.3	158.7	181.1	155.1	139.1	160.2
%	-3.2	-10.9	4.2	14.1	-14.4	-10.3	15.2
New house price index, 1986=100	134.8	135.3	135.9	136.2	136.4	136.4	136.0
%	0.3	0.4	0.4	0.2	0.1	0.0	-0.3
<b>Existing housing</b>							
MLS resales, units, thousands	328.3	263.3	316.0	311.6	317.1	331.8	319.4
%	-4.0	-19.8	20.0	-1.4	1.8	4.6	-3.7
MLS average resale price, \$C thousands	154.2	152.4	153.8	154.1	154.0	157.5	157.2
%	0.8	-1.2	0.9	0.2	-0.1	2.3	-0.2
<b>Mortgage market</b>							
Mortgages outstanding, \$C billions	292.2	296.8	301.2	305.4	309.4	314.1	322.8
%	2.5	1.6	1.5	1.4	1.3	1.5	2.8
Mortgage approvals, \$C billions	87.1	72.4	71.5	73.3	69.4	83.4	..
%	3.9	-16.9	-1.2	2.5	-5.3	20.2	..
1-year mortgage rate, per cent*	8.15	7.55	7.25	6.50	6.33	6.17	8.28
5-year mortgage rate, per cent*	9.42	9.32	8.95	8.75	8.08	7.82	9.92
<b>Residential investment**</b>							
Total, \$1986 billions	32.9	31.2	31.8	31.2	31.5	31.3	..
%	-0.8	-5.2	1.9	-1.8	0.8	-0.5	..
New, \$1986 billions	15.5	15.1	14.8	14.5	14.3	14.6	..
%	-1.2	-2.4	-2.2	-2.3	-1.4	2.1	..
Alterations, \$1986 billions	10.6	10.3	10.3	10.4	10.6	9.9	..
%	1.6	-3.0	0.2	0.9	1.2	-6.0	..
Transfer costs, \$1986 billions	6.8	5.8	6.7	6.3	6.7	6.8	..
%	-3.7	-14.8	15.7	-4.9	4.9	2.8	..
Deflator, 1986=100	134.4	134.5	136.3	137.1	137.6	140.3	..
%	0.6	0.1	1.3	0.6	0.4	2.0	..

SOURCES: CMHC, Statistics Canada, Bank of Canada, The Canadian Real Estate Association.

.. Figures not available.

\* All indicators are seasonally adjusted except 1- and 5-year mortgage rates.

\*\* Residential investment includes outlays for new permanent housing; conversion costs; the cost of alterations and improvements; supplementary costs; and transfer costs.























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1994**



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Canada



**NATIONAL HOUSING OUTLOOK  
FOURTH QUARTER 1994**

**MARKET ANALYSIS CENTRE  
CANADA MORTGAGE AND HOUSING CORPORATION**

Forecast prepared November, 1994



For further national information call the Market Analysis Centre:

Anh Trinh	– Director	(613) 748-2577
Gilles Proulx	– Chief Economist	(613) 748-2574
Marc Pellerin	– Economist, Capital Markets	(613) 748-2506
Michel Laurence	– Economist, Sectoral Analysis	(613) 748-2737
Ali Manouchehri	– Economist, Modelling and Forecasting	(613) 748-2552
Greg Goy	– Manager, Local Markets Analysis	(613) 748-2582

For further provincial information please contact:

Mac Woodman	(Newfoundland)	(709) 772-4034
Brian Martin	(Newfoundland)	(709) 772-2096
Ralph Freeze	(Prince Edward Island)	(902) 566-7467
André Moore	(Nova Scotia)	(902) 426-8465
Sally Erskine-Doucette	(Nova Scotia)	(902) 426-1812
Bruce Read	(New Brunswick)	(506) 452-3818
Todd Selby	(New Brunswick)	(506) 452-3381
Mario Vachon	(Quebec)	(514) 283-4488
Alex Medow	(Ontario)	(416) 495-2000
Richard Goatcher	(Manitoba)	(204) 983-5648
Terry Kozak	(Manitoba)	(204) 983-8503
Paul Caton	(Saskatchewan)	(306) 975-4900
Bruce McDonald	(Saskatchewan)	(306) 780-5889
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## Higher mortgage rates affect housing markets

Housing activity slowed in the third quarter in both new and existing markets after a buying spree from April to June, when consumers rushed to stay ahead of rising mortgage rates. The third quarter slowdown was particularly pronounced among first-time buyers.

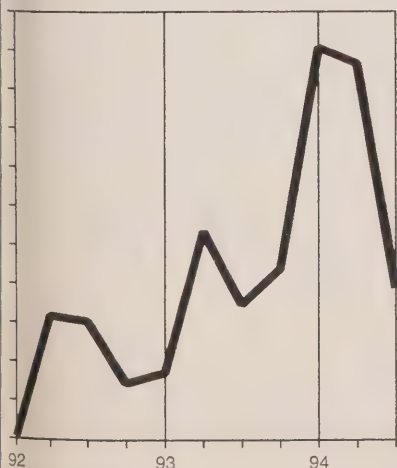
Housing starts fell 8.1 per cent to 153,200 units compared to 166,700 units in the second quarter. These figures are at an annual rate and corrected for normal seasonal variations.

Construction was lower both for single-detached dwellings and multiple-unit structures. Activity fell mainly in Quebec and the Atlantic region, both of which also had posted high second-quarter results. In other regions, new construction changed only marginally, as job growth cushioned the blow of higher mortgage costs.

### Lower demand by first-time buyers . . .

Mortgage Loan Approvals Under First Home Loan Insurance

(thousands of units)



SOURCE: CMHC.

The existing home market also weakened under the burden of higher mortgage costs. Sales through the MLS\* system fell to a seasonally adjusted annual rate of 265,000 units from 320,000 in the second quarter.

## Construction of single-family homes will rise 3 per cent in 1995

### Economy's pace to remain strong, but slacken gradually

Although rising interest rates restricted the most interest-sensitive sectors such as housing, the rest of the economy continues to forge ahead. This is evident in trends related to consumer spending, business investment and international trade.

The good performance has allowed steady job growth and a rapid decline of the unemployment rate. These favourable trends have been echoed by the recent rise of consumer confidence to a five-year high.

The economy should continue to expand into 1995 at a rate of around 3.5 per cent, following an increase of slightly more than

4 per cent in 1994. Since job creation has accelerated recently, employment should rise by more than 2 per cent in 1995 — which is larger than this year's gain.

Economic growth will flow from several sources. Consumer spending will rise because of higher incomes, more jobs and greater confidence in the economy. Exports will climb, driven by a world recovery spreading beyond North America and by the competitive strength of Canadian producers. As well, business investment will stay buoyant.

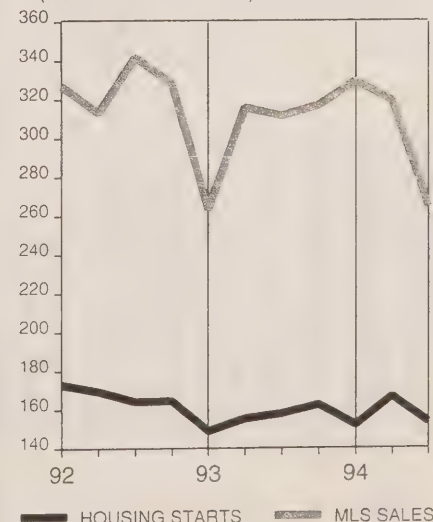
However, the expansion will be dampened by interest rate increases, mainly driven up by rate hikes in the U.S. Rising rates are expected to slow down the U.S. economy markedly next year.

These U.S. pressures are likely to push up Canadian mortgage rates until the early part of 1995. The one-year mortgage rate should average about 8 per cent next year.

### . . . slows housing markets

Housing Starts and Residential MLS Sales — Canada

(thousands of units SAAR)



SOURCES: CMHC; The Canadian Real Estate Association.

\* Multiple Listing Service (MLS) is a registered certification mark owned by the Canadian Real Estate Association.



## INVENTORY DROPPING, BUT NOT TO LOWS OF MID-80S

Canada's inventory of newly completed, unabsorbed housing units is declining, but only gradually. Compared to the pace of stock reduction during the economic recovery of the mid-1980s, the current inventory decline is quite slow.

New housing can be absorbed by purchasers, investors and renters, or it can remain unoccupied. Newly completed, but unabsorbed units provide a measure of immediate inventory. A more comprehensive definition of supply includes units under construction and units for which building permits have been issued, as well as newly completed and unoccupied units. The extent of under- or over-supply is determined by combining this more comprehensive measure of inventory with the level of demand, as measured by the number of completed units that are absorbed.

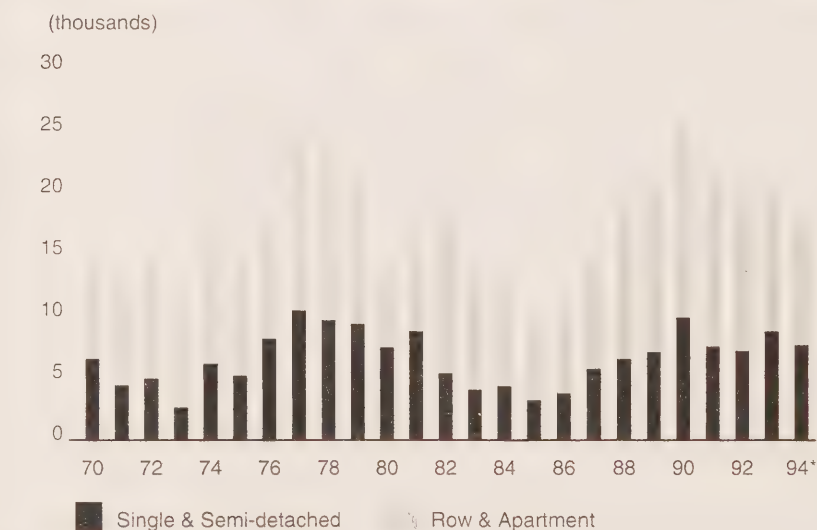
Whatever the size of demand and inventory, the build-up of unoccupied new dwelling units may signal the emergence of an over-supplied market.

Canada's inventory of newly completed and unoccupied units peaked in 1977 and again in 1990. The graph below shows that the inventory pile-up has been driven mostly by an over-supply of apartments and row-houses. This segment of the market adjusts only slowly to imbalances because of long construction lags and slow responses in the multiples market.

The rate of apartment and row-house stock reduction has varied across the country. Quebec has posted a continuous drop in its inventory since 1990, while other regions have experienced both declines and increases over the same period. In British Columbia and Alberta, inventory build-up over the past two years has been significant.

By contrast, the supply of vacant, new single-family and semi-detached units has fallen substantially in almost all regions over the past four years. Demand for singles has been strong as a result of rising employment and incomes in the 1990s, coupled with a timely response by builders who have adjusted their supply to changing market conditions. However, the Prairie region has seen its singles stock grow since 1993, and B.C. has had a similar experience in 1994.

**Newly Completed Unoccupied Dwellings by Type, 1971 to 1994**



slightly more than in 1994. The five-year rate is expected to average 9.65 per cent, also slightly more than this year.

## Housing markets to edge up in 1995

New construction is expected to make only marginal gains in 1995, remaining in the 150,000-to-160,000-unit range that has prevailed for most of the 1990s.

Total housing starts are forecast to reach 156,600 units in 1995, compared to 155,300 units in 1994. The slow pace of growth will be due to the gradual draining of the pool of first-time buyers, combined with a slower return of move-up buyers to the market.

Lower demand by first-time buyers will have an impact because they have been the dominant force in the market since the recovery began. Their buying power has been boosted by a steady improvement in affordability due to stable prices and falling mortgage rates as well as CMHC's First Home Loan Insurance (FHLI) program and the Home Buyers' Plan. These affordability factors and buying incentives have sustained both resale and new construction activity since 1992.

The importance of first-time buyers to the resale market is reflected in the fact that 82 per cent of nearly 225,000 participants to the FHLI bought existing homes. Another example of first-time buyer strength is this year's 18-per cent jump in semi-detached starts, a product usually targeted to first-timers.

The hike in mortgage rates earlier this year brought a wave of new buyers to the market. But, even though rates retreated somewhat over the summer, no



## Job creation will speed up . . .

Annual Change in Employment

(thousands of persons)



SOURCE: Statistics Canada.  
4-1995 CMHC forecast.

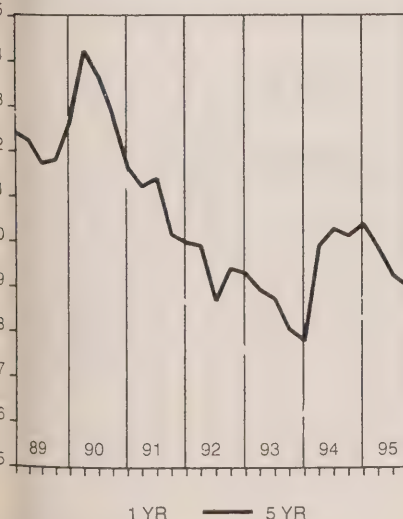
significant rebound of first-time buying is expected in 1995 since high rates will continue to restrain affordability.

On the other hand, some return of move-up buyers can be expected as economic expansion gradually restores consumer confi-

## ... but interest rates will stay fairly high . . .

Mortgage Rates at Major Financial Institutions

(per cent)



SOURCE: Bank of Canada Review.  
1994-95 CMHC forecast.

dence. But this rebound will likely be modest, due to limited price gains and equity build up.

Meanwhile, the rental market is expected to offer only limited opportunities because of high vacancy rates in most urban centres. This excess supply will persist due to a lack of young adults reaching household formation age and lower international immigration. Many immigrants are "family-class", which means they are likely to live with other family members for some time before establishing their own households. The recently announced changes to immigration targets are also expected to dampen demand.

The regional balance of housing market activity will vary because of different supply conditions across the country. Ontario and Quebec will have a relatively tight supply, as measured by completed and unabsorbed units. But this will not be enough to compensate for the gradual rise in inventory in Alberta and British Columbia. Manitoba and Saskatchewan will see markets rebound, while the Atlantic region can expect them to slide.

Construction of single-detached units is expected to rise 3 per cent to 94,000 units in 1995, up from 91,300 units this year. The 1994 level was an increase of 7.3 per cent over 1993.

Single starts will be up in most provinces, with some of the largest gains made in Manitoba, Saskatchewan and British Columbia. Construction is expected to hold steady in Prince Edward Island and to drop somewhat in Newfoundland and New Brunswick.

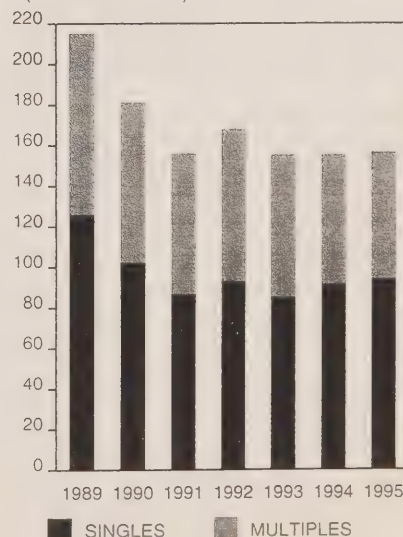
Starts of multiple units will likely fall 2 per cent to 62,600 units, for a third decline in as many years. Ontario, however, will see a gain of about 15 per cent due to the delayed recovery and a remaining pool of first-time buyers. But British Columbia and Alberta will experience substantial declines due to slowing demand and inventory pile-up.

Existing home markets will largely reflect trends among first-time buyers. Sales are expected to reach 303,500 units in 1995, a level similar to 1994 and 1993, and changes — whether increases or decreases — should be slight in all provinces. The average price of existing homes is forecast to rise from \$158,000 in 1994 to \$159,600 in 1995. ■

## ... and housing starts will only inch up.

Housing Starts by Type — Canada

(thousands of units)



SOURCE: CMHC.



# PROVINCIAL HOUSING OUTLOOKS

## Newfoundland

### *Markets slide after second-quarter gains*

The virtual shutdown of the provincial fishing industry continues to impact residential construction in Newfoundland. This factor, coupled with the lower federal/provincial assisted housing starts, will help push down new home construction by about 8 per cent in 1994. Despite further declines in province-wide housing starts next year, activity in the St. John's region is forecast to remain stable, largely due to continued employment growth.

As expected, the surge of housing starts during the second quarter did not continue throughout the summer months. The summer decline was largely due to weakness in rural economies and a reduced pool of prospective buyers brought about by the flurry of homebuying activity earlier in the year.

Although third-quarter declines were most pronounced in rural areas, urban centres also began to feel the pinch. The poor performance has wiped out earlier gains, bringing total provincial starts down 5.3 per cent at the end of September.

Demand for existing homes also faltered during the third quarter with provincial MLS sales falling 12.9 per cent from a year earlier. However, healthy increases in the first half of the year will be enough to support a modest rise in total provincial MLS sales in 1994.

High unemployment and increased migration of people out of the province will temper the

demand for both new and existing homes in 1995. New home construction, particularly in rural areas, will remain at historically low levels, with housing starts forecast to decrease almost 5 per cent next year. Losses will be widespread, affecting both single-detached and multiple-unit starts. The resale market will continue to offer a wide choice of affordable housing. Continued demand from first-time buyers will contribute to slightly higher MLS sales in 1995.

## Prince Edward Island

### *Booming rental market to decline next year*

Apartment construction in the Summerside area soared in the third quarter, boosting the forecast of province-wide multiple-unit starts to 200 for 1994. The building boom is being driven by the expected arrival of 1,500 labourers for the fixed link project next spring.

Rental construction will decline in 1995. The current stock will create an oversupply once the link is completed.

Single-detached home starts will remain at 500 units in 1995. Growth is expected to switch to the rural areas, making up for less urban construction. Strong potato and lobster prices during 1994 will stimulate single-detached starts in rural PEI, but not until the 1995 building season.

The resale market followed 1993 trends until mid-year. Since then, sales have slipped, dimming the outlook for 1994. The short-term nature of current economic growth has kept potential purchas-

ers on the sidelines. In 1995, low resale prices will lure first-time buyers to the market. But more income security is needed before resale activity can really forge ahead. At this point, no prospects have arisen to boost consumer confidence.

## Nova Scotia

### *Housing market buoyant as economy recovers*

The Nova Scotia economy will continue to show solid evidence of recovery in 1995. Growth will be broadly based across most industries and be stronger than earlier anticipated. The recovery is supported by a low Canadian dollar which is spurring export sales and tourism-related activity. However, consumer confidence remains cautious. Most new jobs will be part-time positions in small businesses.

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*Existing home  
sales . . . will  
continue to be  
strong. . . .*

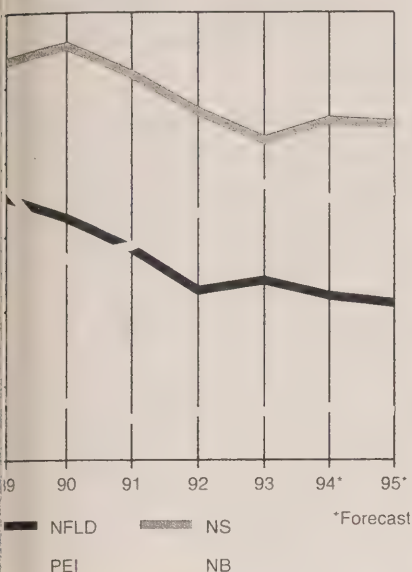
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The third quarter of 1994 saw housing starts and existing home markets perform well, building on the strength of the first half of the year. The gains are uneven across the province, with most occurring in the Metro Halifax area and in Truro. Construction will moderate slightly in 1995, as some of the demand for move-up housing will be



## Housing Starts Atlantic Region

(Thousands of units)



redirected towards relatively lower priced existing homes.

Existing home sales, now at historically high levels, will continue to be strong in 1994 and 1995. However, the recent trend towards short-term, part-time job creation will slow the market somewhat in 1995. The average existing home price will continue to climb in 1995, as a result of a shift in the market from first-time buying to more expensive move-up activity.

## New Brunswick

### Outlook brighter for 1995

A forecast slowdown in apartment developments will pull down total residential construction in New Brunswick by 5 per cent in 1994. The outlook is brighter for 1995, with activity forecast to pick up around the province.

Demand in the home ownership market will remain strong, as

increased sales boosts single-detached starts by 10 per cent this year. The growth is due, in part, to attractive financing and competitive pricing which is luring the first-time buyer. Improvements will continue in 1995 as the move-up buyer returns.

Apartment construction is down because of soft rental markets across the province. A return to lower vacancy rates in 1995 will steady the level of multiple starts next year.

Sales of existing homes will decline slightly in 1994, despite increased activity in Moncton and Fredericton. Buyer hesitancy in Saint John, combined with a slow economic recovery in the northern parts of the province, will result in a small drop in sales this year. Although market performance around the province will be mixed, sales will show steady improvement in 1995. Soft demand in Saint John and northern New Brunswick, however, will result in limited price growth for the province over the forecast period.

## Quebec

### Housing market ends year with marginal gains

After a strong showing during the first half of the year, the Quebec housing market slowed down in the second half, achieving only slight growth for 1994. The recovery will continue in 1995, but the pace will still be slow.

Total housing starts will rise 1 per cent in 1994 to 34,300 units, and 4 per cent in 1995 to 35,600 units. The resale market will also move slowly, with MLS transactions expected to increase by only 5 per cent in 1994 (33,400 sales) and 4 per cent in 1995 (34,600).

While a solid recovery is underway in various sectors of the Quebec economy, the housing market is not doing as well. The main reason is higher interest rates. The rate hikes last spring induced many people to buy early, inflating sales figures in the first half of the year. With this demand satisfied, activity dropped sharply. Interest rates are expected to stay high, but this factor will be somewhat offset by strong job creation (52,000 jobs in 1994 and 54,000 in 1995), which will boost consumer confidence and support housing demand next year.

The decline in new construction, started at mid-year, will cancel most of the gains of the first half of 1994, when starts and resale activity were up 17 per cent. Already during the third quarter, construction was 29 per cent below its year ago level and MLS sales were 15 per cent lower.

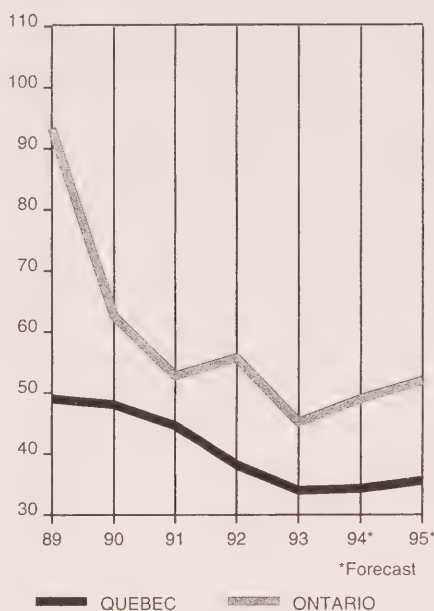
The slight gains in the new construction market will be due to increases in single-family home starts, expected to rise 7 per cent in 1994 (18,300 units) and 2 per cent in 1995 (18,700 units). The singles market, composed largely of move-up buyers, will be stimulated mainly by full-time employment gains and the relatively stable resale market.

Meanwhile multiple housing starts will hit a 12-year low of 16,000 units in 1994. Construction in this sector should rise by 6 per cent to 16,900 starts in 1995, but recovery prospects are fragile. The condominium and rental housing markets in Quebec may not see a recovery next year because of inventory surpluses, low levels of immigration, a lack of new households of young people (aged 15 to 24 years) and the hesitation of many first-time buyers.



## Housing Starts Quebec and Ontario

(thousands of units)



SOURCE: CMHC.

### Ontario

#### *Rate hikes derail housing recovery*

Home starts remained essentially unchanged at 48,600 units at a seasonally adjusted annual rate (SAAR) during the third quarter, consolidating the advance from last year's 11-year low of 45,150.

Single, semi-detached and row housing starts with freehold ownership of land rose, while rental starts plunged because of high vacancy rates. Condominium starts were flat despite a reduction in the inventory of new unsold units.

Ontario's new home prices were mostly stable except in St. Catharines and Kitchener where they fell, and in areas of Northern Ontario, where prices edged up.

Existing home markets surged in the first half of the year, fuelled

by the greatest affordability gains in over 15 years and a return of consumer confidence. By the third quarter, however, MLS sales declined and average prices edged down as a result of the spring interest rate spike. First-time buyer dominance has made the housing industry increasingly sensitive to borrowing costs.

The 1995 outlook for Ontario's housing demand will be tugged in two directions: moderate net migration increases and job recovery will boost demand, but high interest rates will pull it down.

Most markets experienced price declines in the early 1990's, so that mortgage carrying costs are still reasonable. This explains why single-detached homes — popular when prices are more affordable — are leading this year's new construction recovery. However, the weakened resale market is a sign that this recovery will only be modest. Builders, competing with the slow existing home market, will have difficulty passing on cost increases. A small increase of move-up buying is anticipated next year, but first-time buyers will dominate.

### *Modest recovery in Ontario construction in 1995*

In the multiples market, stronger starts in 1995 are expected to make up for this year's losses. Condominium starts should rise modestly as increased

new construction complements sales of standing inventory. Rental starts will creep up from this year's decline, as vacancy rates inch down. Ownership starts will also edge up.

As for resales, downward price pressures and slower MLS sales are anticipated for the rest of this year and the beginning of the next. Market strength earlier in the year will keep the 1994 sales total almost a tenth above last year's and the average MLS price modestly higher. The 1995 sales figures should be similar to those of 1994, as job growth and interest rates offsetting influences. As well, a minor average price increase is expected.

### Manitoba

#### *Rural markets gain, cities hold steady*

Manitoba's new construction industry posted large gains in the province's rural areas during the third quarter, while maintaining momentum in the major urban centres. However, in August and September Winnipeg saw signs of a slowdown in both new and resale housing. The lack of new jobs has been a key factor holding back the recovery of new home starts in the cities. The return of consumer confidence and spending on big-ticket items such as housing in 1995 will depend on a drop in the jobless numbers.

Farm incomes will benefit from stronger exports, improved prices and higher yields this year, sustaining the rural starts recovery in 1995. The province's resource sector will also strengthen because of an ongoing rebound in commodity prices due to greater global demand. Meanwhile,



## Housing Starts Manitoba and Saskatchewan

(thousands of units)



federal-provincial infrastructure spending will bolster the otherwise poor prospects for non-residential construction.

New home starts will continue to rise in 1995, exceeding the 3,000-unit mark for the first time since 1991. Stronger rural demand and a resurgent move-up market in Winnipeg and Brandon will boost singles starts to 2,300 units this year. Further gains are expected in 1995.

Multiples activity will hold steady this year, as increased seniors' lifelease and condominium construction counters losses in social housing. With both condominium and rental markets improving in Winnipeg, multiples starts should reach 600 units in 1995.

Resale markets across Manitoba were very buoyant from January to June, but fluctuating mortgage rates in the second quarter caused

summer activity to fall. Resales will increase to 11,150 units in 1995 following a 4.2 per cent gain this year. Strong sales in higher-priced homes have helped boost average resale prices this year. In 1995, resale prices should reach the \$85,500 level.

## Saskatchewan

### Resale markets remain tight

Saskatchewan's economy has been expanding this year and should continue to do so in 1995. The recovery, however, will generate very few jobs and will not stimulate housing markets much.

Agriculture performed exceptionally well in Saskatchewan in the third quarter, boosted by superb harvesting conditions, crop diversification, rising prices and larger yields. These factors have made 1994 one of the best farming years on record.

In both the retail trade and service sectors, healthy output has led to some employment growth, although, generally, the 1994 recovery has been a jobless one. Strong exports and service and primary industries helped foster economic growth this year, a trend that will continue in 1995.

In contrast to trends of recent years, Saskatchewan is now experiencing increases in numbers of new households. This is because net interprovincial out-migration has declined significantly over the past 18 months.

Saskatchewan's resale markets continue to break records, largely on the strength of demand from first-time buyers. Average resale prices have soared to historically high levels and the number of

available listings has plunged. The new housing market also shows promise, but starts will not rise until next year, after winter's demand slowdown is past.

## Condominium markets have been active in 1994...

Condominium markets have been active in 1994 reflecting demand from pre-retirees and working couples. This will persist in 1995. Although rental market vacancy rates and rent information will not be available until the end of the fourth quarter, property owners report conditions are conducive to rent increases. Demand from low-income migrants to most centres will support the first real increases in rental revenue in more than five years.

## Alberta

### Rural markets outperform cities

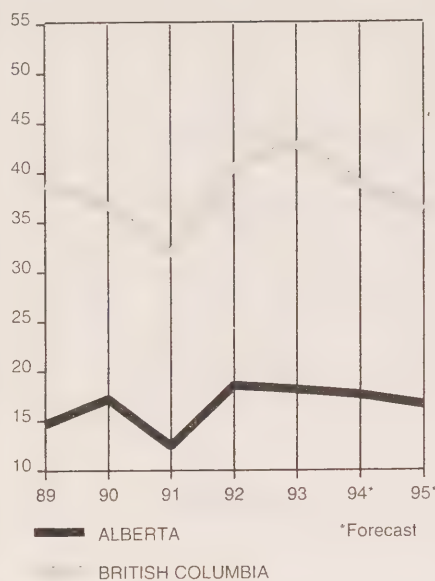
As anticipated, housing starts and MLS sales were slow in Alberta during the third quarter of 1994. The slowdown was partly a response to sharp second-quarter interest rate hikes and will likely continue in the major centres to the end of year.

Some rural markets, however, are faring very well. Spurred by resort development, natural



## Housing Starts Alberta and British Columbia

(thousands of units)



SOURCE: CMHC.

gas drilling, forestry and agriculture strength, new construction activity in smaller centres has prompted a slight upward revision to the 1994 forecast. Total starts are now expected to reach 17,600 units.

For 1995, the new forecast is somewhat less optimistic than earlier projections. There are two

main reasons for this. Economic restructuring in Edmonton will have an even greater impact on housing markets than previously expected, especially since 1995 will begin with a large surplus of new and existing homes. Other parts of the province will see fewer benefits from the natural gas sector than they did during the last two years. The industry is entering a consolidation phase marked by lower-than-expected prices and reduced growth in exploration.

## British Columbia

### Higher rates impact on markets

Sales of existing homes faltered during the summer and this caused some easing in prices. A high supply of listings on the market contributed to lower prices as well.

The sharp rise in mortgage rates earlier this year has reduced demand for resales, as many potential first-time buyers stayed on the sidelines. Although rates began to edge down in late summer, it will

take some time and further rate cuts to lift sales to previous levels.

The new housing market was also hurt by higher rates. Construction of single-family homes declined, while completed and unsold inventory rose sharply, particularly for apartment condominiums. However, multiples starts held up because of past project commitments. But as the number of projects finished exceeds commencements, the level of apartment condominium units under construction is declining.

All in all, the housing market is levelling out. The period of large percentage price gains and record volumes is definitely past. A cyclical contraction or recession phase is not in this forecast, however, because of the expected easing in interest rates and strong economic and migration forces. Financing for new construction continues to be tight, which will constrain new supply. The existing housing stock will continue to provide much of the supply. Pricing should remain competitive as a result.■



## Housing Starts

**Total**  
(units and annual per cent change)

	1989	1990	1991	1992	1993	1994 <sup>(F)</sup>	1995 <sup>(F)</sup>
NFLD	3536	3245	2836	2271	2405	2200	2100
%	11.6	-8.2	-12.6	-19.9	5.9	-8.5	-4.5
PEI	815	762	553	644	645	700	650
%	-29.2	-6.5	-27.4	16.5	0.2	8.5	-7.1
NS	5359	5560	5173	4673	4282	4550	4500
%	-2.2	3.8	-7.0	-9.7	-8.4	6.3	-1.1
NB	3681	2683	2872	3310	3693	3500	3600
%	1.7	-27.1	7.0	15.3	11.6	-5.2	2.9
QUE	49058	48070	44654	38228	34015	34300	35600
%	-15.5	-2.0	-7.1	-14.4	-11.0	0.8	3.8
ONT	93337	62649	52794	55772	45140	49000	52000
%	-6.6	-32.9	-15.7	5.6	-19.1	8.6	6.1
MAN	4084	3297	1950	2310	2425	2850	3300
%	-25.1	-19.3	-40.9	18.5	5.0	17.5	15.8
SASK	1906	1417	998	1869	1880	1825	2100
%	-50.6	-25.7	-29.6	87.3	0.6	-2.9	15.1
ALTA	14712	17227	12492	18573	18151	17600	16600
%	29.5	17.1	-27.5	48.7	-2.3	-3.0	-5.7
BC	38894	36720	31875	40621	42807	38800	36100
%	27.6	-5.6	-13.2	27.4	5.4	-9.4	-7.0
CAN	215382	181630	156197	168271	155443	*155300	*156600
%	-3.2	-15.7	-14.0	7.7	-7.6	-0.1	0.8

SOURCE: CMHC.

(F) Forecast.

\* Total does not add due to rounding.



## Housing Starts

### Singles (units and annual per cent change)

	1989	1990	1991	1992	1993	1994 <sup>(F)</sup>	1995 <sup>(F)</sup>
NFLD	2932	2468	2135	1611	1559	1400	1350
%	3.3	-15.8	-13.5	-24.5	-3.2	-10.2	-3.6
PEI	456	483	376	421	460	500	500
%	-35.2	5.9	-22.2	12.0	9.3	8.7	0.0
NS	3361	3639	2604	3232	3126	3300	3150
%	-13.1	8.3	-28.4	24.1	-3.3	5.6	-4.5
NB	2909	2137	2154	2391	2535	2800	2900
%	-1.5	-26.5	0.8	11.0	6.0	10.5	3.6
QUE	24493	24942	22531	18564	17136	18300	18700
%	-11.7	1.8	-9.7	-17.6	-7.7	6.8	2.2
ONT	53511	32425	26290	27868	26240	31500	32000
%	-6.3	-39.4	-18.9	6.0	-5.8	20.0	1.6
MAN	2966	2847	1589	1683	1874	2300	2700
%	-17.6	-4.0	-44.2	5.9	11.3	22.7	17.4
SASK	1383	1087	775	1484	1342	1300	1600
%	-38.4	-21.4	-28.7	91.5	-9.6	-3.1	23.1
ALTA	12345	13809	9778	14125	13040	12500	12600
%	27.6	11.9	-29.2	44.5	-7.7	-4.1	0.8
BC	21612	18478	18335	21472	17787	17400	18500
%	21.7	-14.5	-0.8	17.1	-17.2	-2.2	6.3
CAN	125968	102315	86567	92851	85099	*91300	*94000
%	-1.9	-18.8	-15.4	7.3	-8.3	7.3	3.0

### Multiples (units and annual per cent change)

	1989	1990	1991	1992	1993	1994 <sup>(F)</sup>	1995 <sup>(F)</sup>
NFLD	604	777	701	660	846	800	750
%	83.6	28.6	-9.8	-5.8	28.2	-5.4	-6.3
PEI	359	279	177	223	185	200	150
%	-19.7	-22.3	-36.6	26.0	-17.0	8.1	-25.0
NS	1998	1921	2569	1441	1156	1250	1350
%	24.0	-3.9	33.7	-43.9	-19.8	8.1	8.0
NB	772	546	718	919	1158	700	700
%	15.6	-29.3	31.5	28.0	26.0	-39.6	0.0
QUE	24565	23128	22123	19664	16879	16000	16900
%	-19.0	-5.8	-4.3	-11.1	-14.2	-5.2	5.6
ONT	39826	30224	26504	27904	18900	17500	20000
%	-7.0	-24.1	-12.3	5.3	-32.3	-7.4	14.3
MAN	1118	450	361	627	551	550	600
%	-39.7	-59.7	-19.8	73.7	-12.1	-0.2	9.1
SASK	523	330	223	385	538	525	500
%	-67.5	-36.9	-32.4	72.6	39.7	-2.4	-4.8
ALTA	2367	3418	2714	4448	5111	5100	4000
%	40.1	44.4	-20.6	63.9	14.9	-0.2	-21.6
BC	17282	18242	13540	19149	25020	21400	17600
%	35.8	5.6	-25.8	41.4	30.7	-14.5	-17.8
CAN	89414	79315	69630	75420	70344	*64000	*62600
%	-5.0	-11.3	-12.2	8.3	-6.7	-9.0	-2.2

SOURCE: CMHC.

(F) Forecast.

\* Total does not add due to rounding.



## MLS Activity

### Total Residential Sales (units and annual per cent change)

	1989	1990	1991	1992	1993	1994 <sup>(F)</sup>	1995 <sup>(F)</sup>
NFLD	2040	1998	1892	1829	1867	1900	1925
%	-8.0	-2.1	-5.3	-3.3	2.1	1.8	1.3
PEI	626	742	764	604	654	600	650
%	24.0	18.5	3.0	-20.9	8.3	-8.3	8.3
NS	5863	6072	5811	7107	7180	7100	6900
%	2.2	3.6	-4.3	22.3	1.0	-1.1	-2.8
NB	3490	3316	3259	3550	3483	3450	3650
%	-0.8	-5.0	-1.7	8.9	-1.9	-0.9	5.8
QUE	30618	28067	28005	31946	31875	33400	34600
%	0.4	-8.3	-0.2	14.1	-0.2	4.8	3.6
ONT	142914	102792	126143	131380	121071	131000	130000
%	-11.0	-28.1	22.7	4.2	-7.8	8.2	-0.8
MAN	10375	9356	9521	11383	10556	11000	11150
%	-6.8	-9.8	1.8	19.6	-7.3	4.2	1.4
SASK	6850	6405	6505	7829	7375	7650	7600
%	-6.2	-6.5	1.6	20.4	-5.8	3.7	-0.7
ALTA	36249	33085	34360	38545	37024	32500	33000
%	19.4	-8.7	3.9	12.2	-3.9	-12.2	1.5
BC	83562	58027	84554	93564	80919	76000	74000
%	23.9	-30.6	45.7	10.7	-13.5	-6.1	-2.6
CAN**	322587	249860	300814	327737	302004	*304600	*303500
%	1.0	-22.5	20.4	9.0	-7.9	0.9	-0.4

### Average Residential Price (dollars and annual per cent change)

	1989	1990	1991	1992	1993	1994 <sup>(F)</sup>	1995 <sup>(F)</sup>
NFLD	83284	88654	90823	91591	91243	92000	93000
%	8.4	6.4	2.4	0.8	-0.4	0.8	1.1
PEI	74167	69284	71034	75570	72424	76000	75000
%	13.3	-6.6	2.5	6.4	-4.2	4.9	-1.3
NS	82328	84649	86462	89361	88965	91500	94245
%	3.4	2.8	2.1	3.4	-0.4	2.8	3.0
NB	75848	77752	80897	82478	84951	86000	88000
%	5.2	2.5	4.0	2.0	3.0	1.2	2.3
QUE	100517	100811	102795	102311	102447	102900	104000
%	5.4	0.3	2.0	-0.5	0.1	0.4	1.1
ONT	184605	175859	173723	162827	157667	161000	164500
%	14.5	-4.7	-1.2	-6.3	-3.2	2.1	2.2
MAN	82401	79961	80445	80686	81739	84000	85500
%	2.5	-3.0	0.6	0.3	1.3	2.8	1.8
SASK	70417	68963	67697	68406	70698	73500	75000
%	3.0	-2.1	-1.8	1.0	3.4	4.0	2.0
ALTA	98542	108675	111482	113558	117085	118000	119000
%	10.0	10.3	2.6	1.9	3.1	0.8	0.8
BC	151504	157616	168235	189999	211992	225000	227000
%	25.2	4.0	6.7	12.9	11.6	6.1	0.9
CAN**	148776	143432	149749	150761	153575	*158000	*159600
%	13.1	-3.6	4.4	0.7	1.9	2.9	1.0

SOURCE: The Canadian Real Estate Association.

(F) Forecast by CMHC.

\* Total does not add due to rounding.

\*\* Excludes Yukon and Northwest Territories.



## Major Housing Indicators

Seasonally adjusted at annual rates  
(levels and quarterly per cent change)

	93:Q1	93:Q2	93:Q3	93:Q4	94:Q1	94:Q2	94:Q3
<b>New housing</b>							
Building permits, units, thousands	152.2	155.8	164.3	161.6	164.6	173.1	..
%	-6.6	2.3	5.4	-1.6	1.8	5.2	..
Housing starts, total, thousands	148.9	155.3	157.8	162.4	151.9	166.7	153.2
%	-9.5	4.3	1.6	2.9	-6.5	9.7	-8.1
Housing starts, singles, thousands	74.9	89.4	89.2	81.7	73.6	103.2	93.5
%	-23.4	19.4	-0.2	-8.4	-9.9	40.2	-9.4
Housing starts, multiples, thousands	74.0	65.9	68.6	80.7	78.3	63.5	59.7
%	10.8	-10.9	4.1	17.6	-3.0	-18.9	-6.0
Housing completions, total, thousands	152.3	158.7	181.1	155.1	139.1	160.2	182.5
%	-10.9	4.2	14.1	-14.4	-10.3	15.2	13.9
New house price index, 1986=100	135.3	135.9	136.2	136.4	136.4	136.0	..
%	0.4	0.4	0.2	0.1	0.0	-0.3	..
<b>Existing housing</b>							
MLS resales, units, thousands	263.3	316.0	311.6	317.1	331.8	319.4	264.7
%	-19.8	20.0	-1.4	1.8	4.6	-3.7	-17.1
MLS average resale price, \$C thousands	152.4	153.8	154.1	154.0	157.5	157.2	158.3
%	-1.2	0.9	0.2	-0.1	2.3	-0.2	0.7
<b>Mortgage market</b>							
Mortgages outstanding, \$C billions	295.4	299.5	304.1	308.8	313.7	321.5	..
%	1.5	1.4	1.5	1.5	1.6	2.5	..
Mortgage approvals, \$C billions	72.4	71.5	73.3	69.4	83.4	74.0	..
%	-16.9	-1.2	2.5	-5.3	20.2	-11.3	..
1-year mortgage rate, per cent*	7.55	7.25	6.50	6.33	6.17	8.28	8.38
5-year mortgage rate, per cent*	9.32	8.95	8.75	8.08	7.82	9.92	10.30
<b>Residential investment**</b>							
Total, \$1986 billions	31.2	31.8	31.2	31.5	31.7	33.1	..
%	-5.2	1.9	-1.8	0.8	0.7	4.3	..
New, \$1986 billions	15.1	14.8	14.5	14.3	14.6	15.8	..
%	-2.4	-2.2	-2.3	-1.4	2.6	8.1	..
Alterations, \$1986 billions	10.3	10.3	10.4	10.6	10.1	10.5	..
%	-3.0	0.2	0.9	1.2	-4.3	4.1	..
Transfer costs, \$1986 billions	5.8	6.7	6.3	6.7	7.0	6.7	..
%	-14.8	15.7	-4.9	4.9	4.7	-3.4	..
Deflator, 1986=100	134.5	136.3	137.1	137.6	140.5	140.6	..
%	0.1	1.3	0.6	0.4	2.1	0.1	..

SOURCES: CMHC, Statistics Canada, Bank of Canada, The Canadian Real Estate Association.

.. Figures not available.

\* All indicators are seasonally adjusted except 1- and 5-year mortgage rates.

\*\* Residential investment includes outlays for new permanent housing; conversion costs; the cost of alterations and improvements; supplementary costs; and transfer costs.



















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## **National Housing Outlook**

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**Canada**



**NATIONAL HOUSING OUTLOOK  
FIRST QUARTER, 1995**

**MARKET ANALYSIS CENTRE  
CANADA MORTGAGE AND HOUSING CORPORATION**

Forecast prepared January, 1995



For further national information call the Market Analysis Centre:

Anh Trinh	– Director	(613) 748-2577
Gilles Proulx	– Chief Economist	(613) 748-2574
Marc Pellerin	– Economist, Capital Markets	(613) 748-2506
Michel Laurence	– Economist, Sectoral Analysis	(613) 748-2737
Leonard FitzPatrick	– Economist, Modelling and Forecasting	(613) 748-2552
Greg Goy	– Manager, Local Markets Analysis	(613) 748-2582

For further provincial information please contact:

Mac Woodman	(Newfoundland)	(709) 772-4034
Brian Martin	(Newfoundland)	(709) 772-2096
Ralph Freeze	(Prince Edward Island)	(902) 566-7467
André Moore	(Nova Scotia)	(902) 426-8465
Sally Erskine Doucette	(Nova Scotia)	(902) 426-1812
Bruce Read	(New Brunswick)	(506) 452-3818
Todd Selby	(New Brunswick)	(506) 452-3381
Mario Vachon	(Quebec)	(514) 283-4488
Alex Medow	(Ontario)	(416) 495-2000
Richard Goatcher	(Manitoba)	(204) 983-5648
Terry Kozak	(Manitoba)	(204) 983-8503
Paul Caton	(Saskatchewan)	(306) 975-4897
Bruce McDonald	(Saskatchewan)	(306) 780-5889
Laurie Scott	(Alberta)	(403) 482-8700
David Peever	(Alberta)	(403) 292-6200
Helmut Pastrick	(British Columbia)	(604) 666-2925

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Market Analysis Centre  
Canada Mortgage and Housing Corporation  
700 Montreal Road  
Ottawa, Ontario  
K1A 0P7  
Tel. No: (613) 748-2969  
Fax No: (613) 748-2402

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# Executive Summary

High mortgage rates continued to keep housing markets in check during the closing quarter of 1994. Existing home sales through the MLS\* system rose marginally from the third quarter to reach 277,600 units at a seasonally adjusted annual rate (SAAR). Meanwhile, housing starts fell to 141,700 units SAAR, 8.6 per cent lower than the third-quarter rate.

The starts decline was concentrated in the interest-sensitive single-detached market. By contrast, multiple-unit starts went up. And, despite the overall fourth-quarter drop in new construction, some growth occurred in two provinces: Newfoundland and Saskatchewan.

For 1994 as a whole, new construction dropped slightly to 154,057 starts from 155,443 during 1993. The single-detached sector posted gains of 5.2 per cent to reach 89,509 units. The multiples market, however, fell 8.2 per cent to 64,548 units, pulled down by a drop in rental construction.

Housing markets will be slow in the near term, as high interest rates, low demographic pressure and the cooling of the housing boom in British Columbia offset the benefits of job creation and income growth. However, a moderate recovery is expected in the second half of 1995 and in 1996, as interest rates recede from current levels.

First-time buyers will continue to feed demand, especially in central Canada, while the move-up market is expected to be slow. Products with the best potential in the coming year are existing starter homes, new multiples targeted at first-time

buyers and low-priced single-detached dwellings.

In 1995, total starts are expected to reach 141,000 units, 8.5 per cent lower than in 1994 and rise to 150,300 in 1996. The 1996 increase will result from the delayed response to job and income growth, shrinking vacancy rates and lower mortgage rates after mid-1995.

Single-detached starts will decrease in 1995 to around 83,300 units before rising to 91,900 in 1996. Multiple starts will be down this year to 57,700 and up marginally to 58,400 units in 1996.

Resale activity is expected to drop with higher mortgage rates early in the year. Total sales are forecast to decline, reaching 276,400 units this year before bouncing back to 297,000 units in 1996. The average price should fall as well to \$152,800 this year and rebound to \$156,200 in 1996.

## NEWFOUNDLAND

Residential construction will decline in 1995 due to sluggish rural economies, limited employment growth and migration out of the province. Urban markets will benefit from greater job stability and demand from persons moving there from outlying areas. But rural areas will suffer from persistent high unemployment and uncertainty over the fishery. The province's overall economic growth will be tied largely to Hibernia activity, expected to peak in 1995 and begin winding down in 1996.

Total housing starts are forecast to drop to 2,050 homes this year and to 1,950 units in 1996. The resale market will see continued oversupply and reduced demand. Higher interest rates will also pull down

MLS sales in 1995. Concerns about supply will be heightened in 1996 as Hibernia employment tapers off. However, an easing in interest rates will provide a modest boost to MLS sales next year.

## PRINCE EDWARD ISLAND

Although the province's economy will perform well again in 1995, the housing sector will not reap much benefit. Economic growth will be concentrated in fixed-link construction activity, keeping spin-offs fairly local and short term.

New home construction is expected to decline in 1995 for both the ownership and rental markets. Sales of existing homes began the year at a sluggish pace, with no signs of improvement apparent yet. In 1996, rural building and buying is forecast to boost the housing industry slightly.

## NOVA SCOTIA

Housing markets in Nova Scotia performed well in 1994, with above-average activity in most sectors. New home starts rose 11 per cent, mainly due to increased multiples construction. The existing home market saw 7,140 sales, within 1 per cent of 1993's high levels.

For this year and the next, both resales and new home construction will continue at high levels, although the numbers will be slightly lower than in 1994. Markets will benefit from job creation through small businesses and the strong export and tourism sectors. However, activity will be constrained by rising interest rates and public sector cuts.

\* Multiple Listing Service (MLS) is a registered certification mark owned by the Canadian Real Estate Association.



## NEW BRUNSWICK

Provincial housing markets will turn in a mixed performance in 1995. While new construction activity remains slow, the resale market will post gains of almost 4 per cent this year. The lacklustre performance in starts activity will be due to the easing of pent-up demand. Steadily rising vacancy rates will cause apartment construction to decline for the second year in a row. In 1996, however, construction will increase modestly as demand picks up and vacancy rates begin to fall.

Meanwhile, the resale market will benefit this year from consumers seeking affordable alternatives during a time of high interest rates. Resales will continue to rise in 1996 as mortgage rates fall and demand increases.

## QUEBEC

Quebec's residential construction industry will contract in 1995. Housing starts will fall to 33,200 units in 1995 compared to 34,154 units. The resale market will post a drop of 5 per cent for a total of 31,800 transactions.

Although job creation is up, consumer confidence in Quebec remains shaky because of high interest rates, high household debt and the prospect of tight government budgets that will reduce personal disposable income growth. Therefore, no increases in either new construction starts or existing home sales is foreseen before 1996, when interest rates should decline.

## ONTARIO

Ontario's housing demand in 1995 will be buffeted by opposing forces, job recovery on the one hand and high interest rates on the other. Demographic factors will also be mixed, with moderate net immigration, fewer young people to rent apartments and aging baby boomers who may do some move-up buying.

Singles starts are predicted to fall this year but rise strongly in 1996. In the multiples market, stronger condominium sales are expected due to first-time buyer demand and depleted supply. Rental starts will creep up from last year's low, as vacancy rates inch down. High interest rates will bring annual MLS sales down before they recover next year.

## MANITOBA

Rising mortgage rates and a slow job market will result in lower new housing activity in Manitoba this year. Total starts will slip back under the 3,000 mark in 1995 before returning next year to the levels seen in 1994.

New singles will drop this year due to a large inventory of unsold homes in Winnipeg and consumer caution in the wake of higher financing costs. Singles will recover in 1996 as the economy continues to grow and as mortgage rates fall. Resale markets will see fewer sales in 1995, but the upward trend in average home prices will be sustained by move-up buyers. Condominium conversions will remain an attractive homeownership option for first-time buyers in Winnipeg. Meanwhile, apartment vacancies in this centre will continue to trend downward.

## SASKATCHEWAN

Saskatchewan will reap the benefits of strong markets for its resources and rising consumer confidence in 1995. Modest employment growth will offset some job losses and an expansion of the labour force. This will keep the unemployment rate low and will buoy consumer confidence.

With the economy holding steady, little change is expected in housing demand. The average price of resale housing will continue to increase, as will rents, due to solid demand in the face of limited supply. New construction will match

the performance seen in 1994, as rising resale prices encourage move-up households. Builders are expected to market more modestly priced homes to first-time buyers.

## ALBERTA

Alberta's economy will grow by less than 3 per cent in 1995 because of lower natural gas prices and more public sector spending cuts. The pace of job creation will also be slow, only 25,000 new jobs compared with 36,000 in 1994. In addition, the housing industry is faced with high interest rates and inventory surplus. Edmonton already has an oversupply of both singles and multiples, and Calgary is about to see a surge of condominium completions. Overall, starts will drop in 1995 before recovering partially in 1996.

Resale markets have been undermined by rising interest rates as well as declining migration. Net migration to Alberta will be negative in 1995, as in 1994, but will recover somewhat in 1996.

## BRITISH COLUMBIA

British Columbia's housing markets will be in an adjustment phase during 1995. High mortgage rates and, to a lesser extent, slower economic and population growth will significantly reduce housing sales. Unsold inventory will rise and cause prices to fall. New home construction is expected to shrink by about one quarter from last year's level.

The outlook for 1996 is brighter, with lower mortgage rates in the forecast. Housing sales should pick up, which will draw down unsold inventory. Prices are expected to firm up and new construction activity should recover. ■



# Canada

by Gilles Proulx  
and Michel Laurence



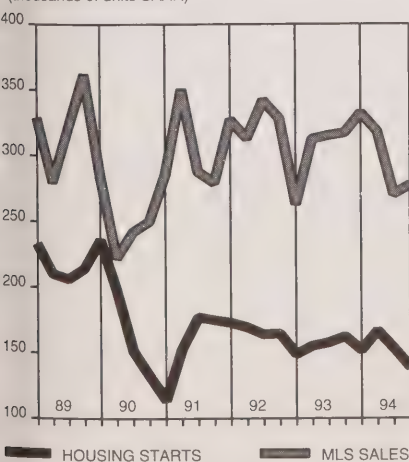
## High rates slowed new construction in the 4th quarter

High mortgage rates continued to keep housing markets in check during the closing quarter of 1994. Existing home sales through the MLS system reached an estimated 277,600 units, at a seasonally adjusted annual rate (SAAR). This was only a marginal increase over the weak level of 270,500 units in the third quarter. Meanwhile, housing starts fell further to 141,700 units SAAR, 8.6 per cent lower than the third-quarter rate of 155,000 units.

## Housing markets weakened in the second-half of 1994

Housing starts and residential MLS sales — Canada

(thousands of units SAAR)



SOURCES: CMHC; The Canadian Real Estate Association

The starts decline was concentrated in the single-detached market, which is more sensitive to interest-rate trends than other new home sectors. By contrast, multiple unit starts went up. And, despite the overall fourth quarter drop in new construction, some growth occurred in two provinces — Newfoundland and Saskatchewan.

For 1994 as a whole, new construction dropped slightly to 154,057 starts from 155,443 units in 1993. This was due to a decline in the multiples market. The single-detached sector posted gains of 5.2 per cent to reach 89,509 units. Pulled down by a drop in rental construction, however, the multiples market fell 8.2 per cent to 64,548 units. Rental starts fell in most provinces because the move to the ownership market by many renters kept vacancy rates high.

In four provinces (Quebec, Ontario, Manitoba and Saskatchewan), improving economies in 1994 led to strong demand for existing homes, mainly from first-time buyers. This boosted resales in these provinces, as well as construction of new condominium units. The rebound on the resale market also fueled demand from move-up buyers and spurred single-detached construction.

In British Columbia, housing demand stayed strong throughout 1994, but could not support the

record starts levels seen in 1993. Alberta also saw a slowdown of housing activity as lower construction in Edmonton offset rising production in the rest of the province.

Meanwhile, the Atlantic region experienced new construction gains in two provinces, Nova Scotia and Prince Edward Island.

## Housing trends shaped by economic growth and interest rate storms

For this year and next, Canada will benefit from several positive economic trends that should help support a housing industry hit hard by rising interest rates. Employment growth key to building consumer confidence rebounded progressively over the last year, the first significant recovery of the 1990s. Total employment is now expanding rapidly and is forecast to grow by an average of 2.5 per cent in 1995 and 1996.

As well, fueled by export demand, business investment and consumer spending, the economy is making headway and should continue to do so this year and next. Gross domestic product is expected to rise by 3.8 per cent in 1995 and 3.2 per cent in 1996.

These positive developments will be overshadowed, however, by the mortgage rate hikes that began at the start of 1994 and are expected to



continue until mid-1995. The one-year rate, which hit 10.0 per cent in mid-January, is expected to fall during the second half of the year, but still remain high. By year's end it is forecast to be 9.0 per cent and average 8.5 per cent in 1996. By contrast, in January 1994 the one-year rate was 5.75 per cent.

The five-year mortgage rate, at 10.75 per cent in mid-January, may slip to 10.0 toward year's end and 9.5 per cent in 1996. The rate was 7.25 per cent at the beginning of 1994.

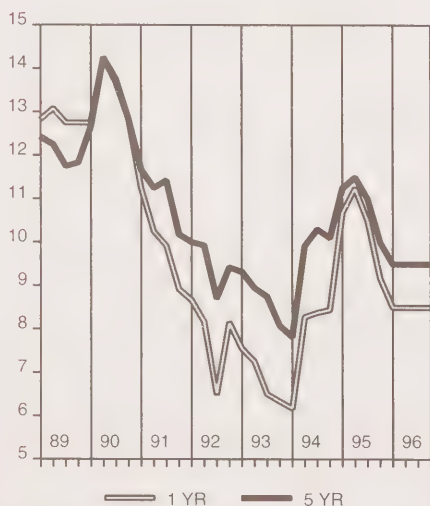
The run-up in interest rates will likely slow the recovery in consumer confidence as will various income-related factors. Disposable income gains are marginal because of limited wage increases. As well, the saving rate is low, consumer debt is high and servicing the debt is costly during this current period of steep interest rates.

Over the forecast period, demographic factors will also counter positive economic forces. The new migration targets announced in the fall will reduce international gross

### Mortgage rates are expected to ease from current highs . . .

*Mortgage rates at major financial institutions*

(per cent)



SOURCE: Bank of Canada Review.  
1995-96 CMHC forecast.

## Cost increases will top house price hikes in 1995

Profit margins in the residential construction industry will remain under pressure in 1995 for the sixth year in a row. Prices will be stagnant in 1995 while building costs will continue to increase. Relief is not expected before 1996.

The new house price index, excluding the land component, is expected to rise as little as 0.5 per cent in 1995, and 2.0 per cent in 1996. The market's lacklustre performance expected this year will mean continued tough competition among builders.

By contrast, construction costs will climb at least another 4 per cent in 1995 and 3 per cent in 1996. As in 1993 and 1994, the cost hikes will come mostly from materials rather than labour. A large pool of under-utilized workers and expectations of low inflation will keep the industry's wage bill in check.

The cost of materials could rise by almost 5 per cent over the forecast period, following 7 per cent jumps in both 1993 and 1994. But while wood-product costs have soared in the last two years, the trend will flatten out. An expected slowdown in new home construction in the U.S. will lessen demand for wood, while a flood of new, engineered wood products will compete successfully with the more traditional plywood and dimension lumber. The cost of metal building products will rise faster, however, and will have a strong impact on the market in 1996.

The weakness of the Canadian dollar relative to the U.S. currency will also boost the cost of materials in Canada, since much material is imported from the U.S. or quoted in U.S. dollars.

### Construction costs and new house prices — 1982-1996

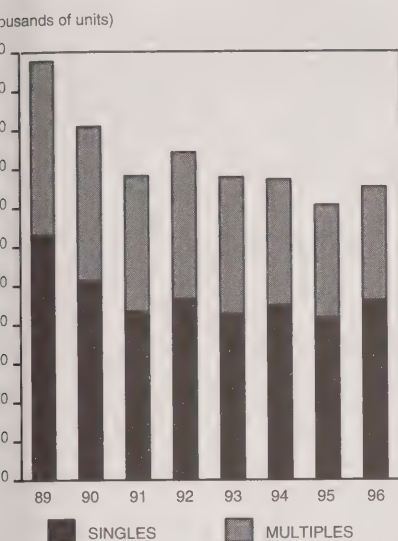
(% change)



Source: Statistics Canada, 1995-96 CMHC forecast.



**. and housing starts will  
bound in 1996**  
housing starts by type — Canada



SOURCE: CMHC.  
1995-96 Forecast

immigration from 250,000 persons per year to a range of 190-215,000. Combined with trends in natural population increase, this should lead to household formation of around 155-165,000 per year over the next few years.

## Housing supply is high

Canada has an ample stock of new housing units, and inventory has changed little over the past year. Significant reductions occurred in multiple-unit stocks in Montreal and Toronto but they were offset by increases in Ottawa, Edmonton, Vancouver and Victoria.

The overall rental vacancy rate is still high, despite the significant slowdown in new-rental construction over 1994. Last October, the national vacancy rate was 4.6 per cent, but it is expected to drop to 4.1 per cent this year and lower further in 1996 because of reduced construction activity and steady consumer demand.

The existing home market is also well supplied as indicated by generally low sales to listings ratios. As for house prices, despite having bottomed out, they are rising only slightly in most markets.

## Demand for new units to be limited

Because of climbing mortgage interest rates, housing markets are expected to experience another setback in the near term and through the spring, normally the busiest home building period of the year. Some moderate recovery is forecast in the second half of 1995 and in 1996 as interest rates recede from current levels. Also contributing to lower activity is the adjustment phase in the British Columbia market, after recent peaks in sales and construction.

Most of the demand in the home ownership market is still expected to come from first-time buyers, especially in central Canada. Products with the best potential in the coming year are existing starter homes, multiples targeted at first-time buyers and low-priced single-detached dwellings. The lack of significant price increases will limit action in the move-up market.

In 1995, total starts are expected to reach 141,000 units, 8.5 per cent less than during 1994 with a partial recovery to 150,300 units in 1996. The 1996 increase will result from the delayed response to job and income growth occurring since 1994 and lower mortgage rates after mid-1995.

Single-detached starts should be down to around 83,300 units this year before recovering to 91,900 in 1996. Multiple starts will fall to 57,700 units this year and inch up to 58,400 in 1996. The minimal recovery in multiple construction next

year reflects the diverging trends of a continuing downward adjustment in British Columbia condominium markets with a good construction recovery in most other provinces.

A modest rebound in resale activity is expected to begin in the second half of this year as mortgage interest rates retreat from their current levels. Total sales should nonetheless be at a lower level of 276,400 units this year. They are forecast to recover to around 297,000 units in 1996. The average price should be lower at \$152,800 this year due to reduced sales and price easing in the relatively high price markets of British Columbia and Ontario. For 1996, the average price is expected to advance to \$156,200.

Of the country's larger markets, Ontario and Quebec should inch down this year before posting good advances in 1996. The impact of high mortgage rates this year will be minimal because both economies are performing well and their housing surpluses have been significantly reduced. Moreover, markets in Quebec will get support from a provincial program that allows first-time buyers to partially deduct mortgage interest payments from their income tax.

By contrast, the British Columbia market will see lower construction through the forecast period due to slackening demand and rising inventories. Overall, markets in the Prairie and Atlantic regions are expected to contract this year and to show offsetting advances in 1996. ■



# Newfoundland

by Mac Woodman and Brian Martin



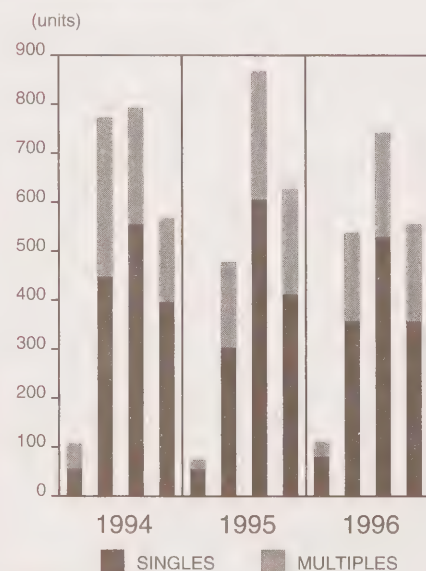
## Highlights

- Housing starts on downward trend
- Oversupply persists in existing homes market
- Rental market remains weak

## Weakness in rural areas results in fewer housing starts

Rising interest rates, continued out-migration and uncertainty among fishery workers over their future suppressed demand for new housing in the province in 1994. Declines in rural area starts more than offset gains in urban centres, resulting in a 6.7 per cent drop in province-wide activity.

## Housing Starts NEWFOUNDLAND



SOURCE: CMHC.  
1995-96 Forecast.

Losses were shared almost equally among single-detached and multiple housing units. The persistence of high vacancy rates and fewer starts of government assisted housing contributed to the decline in multiple-unit starts. Demand for rental accommodation within the province improved during the second half of 1994 with the vacancy rate falling to 7.4 per cent.

Reduced affordability, particularly among first-time buyers, led to a significant decrease in resale market activity during the second half of 1994. The downward trend in existing home sales which began in July continued throughout the fall and early winter months with fourth quarter activity falling 9.1 per cent from a year earlier. Strong gains during the second quarter, however, particularly in the St. John's region, supported a modest 0.3 per cent increase in provincial MLS sales. Gains in central Newfoundland supported a modest 0.5 per cent increase in the average price of an existing home.

## 1995-96 Outlook

### Economic growth to taper off

Following strong growth in 1994, the provincial economy will expand at a reduced pace in 1995 and experience virtually no growth in 1996. Slight increases in Hibernia-related expenditures and sustained demand for mining and newsprint products will support modest economic growth of

1 per cent this year. With the construction phase of the Hibernia project starting to wind down in 1996, no growth in the provincial economy is expected. Cutbacks in support payments to laid-off fishery workers, reductions in unemployment insurance benefits and continued government restraint will also be a drag on economic growth over the next two years.

The fishing industry will continue to be adversely affected by quota reductions and other harvesting restrictions. Although certain shellfish species such as crab and shrimp present some growth potential, moratoria on other vital stocks such as northern cod and flounder will constrain growth in overall output in both 1995 and 1996.

The Hibernia project remains the major catalyst to economic growth and has played a major role in cushioning the negative impacts of the downturn in the fishery. Expenditures on Hibernia are forecast to peak at around \$1.4 billion in 1995, with direct employment expected to average approximately 5,500 jobs this year. The construction phase of the project is scheduled to begin winding down in 1996, resulting in the loss of slightly more than 1,500 jobs.

Increased demand for both iron ore and newsprint will lead to continued price growth and support marginal gains in the mining and forestry industries in each of the next two years. Full-year production at the Come-by-Chance oil refinery and an expected increase in volumes of



imported fish for processing in local plants should also lead to improved manufacturing output over the forecast period.

Employment changes will be closely linked to Hibernia-generated activity in 1995 and 1996. With labour requirements on the project scheduled to peak during the second half of 1995, Hibernia will play a key role in a 0.5 per cent increase in employment this year.

Limited job creation in other industries, combined with Hibernia losses, will result in a 0.5 per cent decline in employment in 1996. When combined with labour force increases, the unemployment rate will remain above 20 per cent. Reductions in unemployment insurance benefits and payments made under fishery support programs will prompt more individuals to leave the province.

## Housing starts on downward trend

Continued weakness in rural economies combined with limited employment growth and an increase in the number of persons leaving the province will restrict residential construction activity in 1995 and 1996. Urban centres will be less affected, however, due to employment stability and demand from persons moving there from outlying areas. By contrast, persistently high unemployment and uncertainty over the future of the fishery will remain a drag on rural starts.

Construction of single-detached units will also be negatively affected by an oversupply of existing homes. Multiple-unit construction, which will remain heavily concentrated in the ownership market, will also decline over the forecast period. Reduced affordability due to higher interest rates will ensure that two apartment dwellings account for the bulk of multiple starts. Additional demand will come from seniors seeking

row and condominium units. Total housing starts are forecast to decline to 2,050 homes in 1995 before falling further to 1,950 units in 1996.

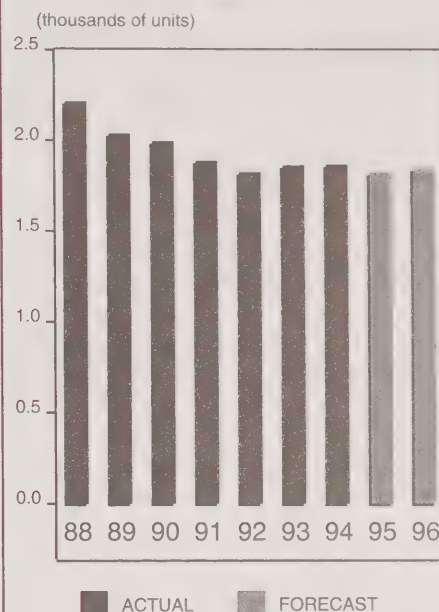
## Existing-home sales remain weak

The existing homes market will continue to be characterized by oversupply and reduced demand. Concerns over supply will be heightened in 1996, as Hibernia-related employment tapers off. However, cost advantages associated with the purchase of an existing versus a new home will help cushion the negative impacts of higher interest rates and provide some benefit to the resale market. Nevertheless, sales of existing homes are expected to be lower this year.

Improved affordability associated with lower interest rates will support modest increases in MLS sales in 1996. Total MLS sales within the St. John's region will drop to 1,725 units in 1995 before rising marginally to 1,750 units in 1996. MLS sales in central Newfoundland will remain relatively stable at 100 units in both 1995 and 1996. Reduced demand and oversupply will lead to a slight drop in the average MLS house price in each of the next two years.

Demand for apartments in larger rental projects in the St. John's region will improve only modestly in 1995

## Residential MLS Sales NEWFOUNDLAND



SOURCE: The Canadian Real Estate Association.  
CMHC: Forecast.

and 1996, reflecting slight gains in employment, reduced homebuying activity within renter households and limited construction of new units. The loss of Hibernia personnel as the project starts to wind down will have a negative impact on rental demand in the latter part of 1996. Vacancy rates will remain in the 6 to 9 per cent range over the forecast period. ■

## Key Provincial Indicators NEWFOUNDLAND

	1994	1995 <sup>(F)</sup>	1996 <sup>(F)</sup>
Real GDP (% Change)	3.0	1.0	0.0
Employment (% Change)	1.1	0.5	-0.5
Unemployment Rate (%)	20.6	20.6	21.3
Housing Starts (Units)			
Total	2243	2050	1950
Singles	1455	1375	1325
Multiples	788	675	625
MLS Sales (Units)	1873	1825	1850
Average MLS Price (Dollars)	91698	91400	91000

SOURCES: CMHC, The Canadian Real Estate Association and Statistics Canada.  
(F) Forecast by CMHC.



# Prince Edward Island

by Ralph Freeze

## Highlights

- Last half of 1994 wipes out earlier growth in housing activity
- Significant decline in housing starts especially rental construction
- Resale market to struggle in 1995 and 1996

## Last year's ups and downs

The housing industry began 1994 on a roll, but ended in a slide. New home construction and resale activity were strong in the first half of the year, pointing toward a year of

healthy growth. However, the response to rising mortgage rates was clear. Housing starts fell by almost 40 per cent in the fourth quarter, and existing home sales dropped by over 10 per cent after being on par with 1993 at mid-year.

Strong employment growth in 1994's second half was not enough to turn the tide for the housing sector. Although there were 3,000 more people employed during the last four months of 1994, it did not lead to more home building or buying. The short term nature of jobs associated with fixed link construction and infrastructure development has not boosted consumer confidence for housing decisions.



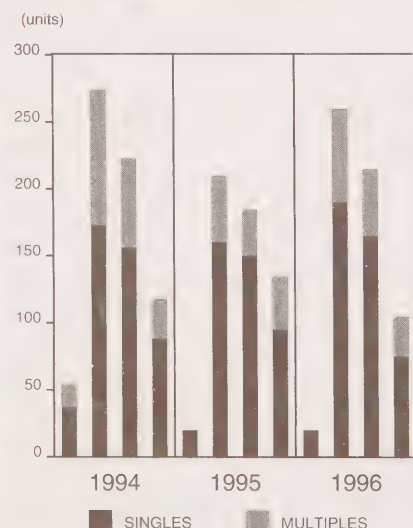
On the downside, the Island economy will be faced with government restraint and cutbacks. The relatively large public sector is expected to be trimmed to some degree over the forecast period. Fortunately, the link project will still be under construction. The necessity of short term pain for long term gain will become a reality for more Islanders during the next two years.

## New home construction gets hammered

Single-detached and rental home construction are forecast to decline in 1995, followed by a slight improvement in 1996. High mortgage rates, government cutbacks, and a lack of full-time, long-term job creation will hinder house construction. Rural areas are expected to buck the trend because of healthy potato markets, but not enough to tip the scales province-wide.

Rental construction will drop significantly as the two urban centres face high vacancy rates. Charlottetown will have another two years of low apartment building activity with lots of room for demand to catch up to supply. Summerside has had a boom year in rental construction, making up for the dry years following the base closure. Although demand will be strong this spring with few vacancies, concerns about

## Housing Starts PRINCE EDWARD ISLAND



SOURCE: CMHC.  
1995-96 Forecast.

## 1995-96 Outlook

### P.E.I. economy pulled in two directions

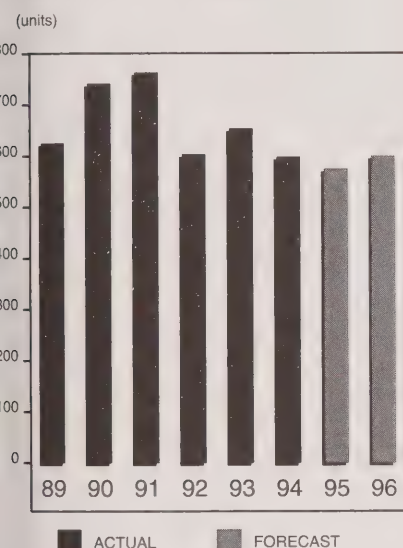
P.E.I. is expected to lead the Atlantic provinces in economic growth while the fixed-link project is under construction. Employment growth has already been evident, with the major thrust coming this spring. Another positive factor will be the second year in a row of good potato prices. The tourism forecast is also very positive, especially for this year. Exchange rates for American visitors are attractive. Excellent weather conditions last summer will help to draw people back.



oversupply after the link project ends are legitimate.

The slight increase in 1996 for both ownership and rental home starts will be led by rural regions of the province. Availability of labour and materials keeps construction costs low on the Island even when mortgage rates climb. Also, the popularity of semi-detached units is growing. In the past, these were built for the rental market only.

#### Residential MLS Sales PRINCE EDWARD ISLAND



SOURCE: The Canadian Real Estate Association.  
CMHC: Forecast.

A trend toward ownership as an option is developing.

#### Sellers beware — It's a buyer's market

Sales of existing homes will decline for the same reasons as mentioned for new construction. A buyer's market with abundant choices will not be enough to increase sales due to concerns about job and income security. These factors, combined with rising mortgage rates, point to a poor sales performance in 1995. Since the majority of these circumstances will persist in 1996, the outlook is only slightly better.

Income from the fixed link will provide some households with the means to purchase next year. Another positive factor for buyers will be continued downward pressure on house prices. Traditionally, prices do not swing quickly in either direction on P.E.I., but a definite trend toward lower house prices is in effect.

Resale prices are forecast to decline in 1995 and again in 1996. Low demand is dictating lower prices for homes to sell. During the past year, reduced list prices became more common as sellers adjusted to the changing market. This trend will not be reversed over the forecast period.■

#### Key Provincial Indicators PRINCE EDWARD ISLAND

	1994	1995 <sup>(F)</sup>	1996 <sup>(F)</sup>
Real GDP (% Change)	4.2	3.5	2.0
Employment (% Change)	3.8	1.1	0.4
Unemployment Rate (%)	17.0	16.7	16.4
Housing Starts (Units)			
Total	669	550	600
Singles	454	425	450
Multiples	215	125	150
MLS Sales (Units)	599	575	600
Average MLS Price (Dollars)	78753	76000	75000

SOURCES: CMHC, The Canadian Real Estate Association and Statistics Canada.  
(F) Forecast by CMHC.



# Nova Scotia

by Sally Erskine Doucette



## Highlights

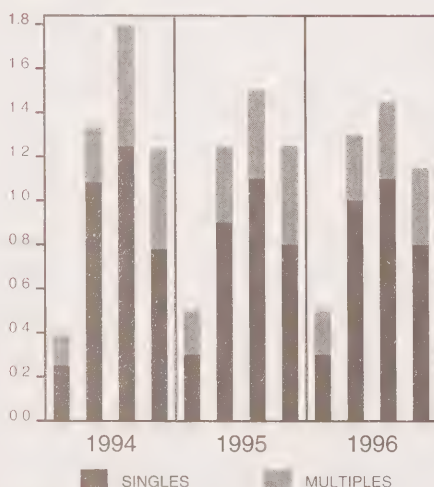
- Housing activity solid in 1994
- Steady pace to continue in 1995 and 1996
- Record high resales of existing homes
- Starts activity to edge lower

## Markets strong in 1994

Both the new home and resale housing markets in Nova Scotia turned in a solid performance in 1994. Rising interest rates prompted a burst of activity through most of the year as consumers tried to stay ahead of the trend. Government homeowner incentive programs also helped boost sales, but by the fourth quarter, high interest rates had slowed demand.

## Housing Starts NOVA SCOTIA

(thousands of units)



SOURCE: CMHC.  
1995-96 Forecast.

New home construction increased by 11 per cent during 1994, led by large gains in the multiples market. Single-detached starts rose by 7 per cent, while multiples posted a 20 per cent rise. Consumers showed a strong preference for semi-detached and row-housing units because of the higher affordability of these types of homes. And, despite high vacancy rates, development of apartment projects continued, with starts rising 33.5 per cent. The new apartment buildings, unlike the old stock, offered preferred locations and served specific market niches.

Sales of existing houses stayed at record high levels during 1994. A total of 7,140 units changed hands, within 1 per cent of the level seen in 1993. Resales were exceptionally brisk through the end of the third quarter, but eased during the last quarter of the year with the rise of interest rates. Average resale prices increased 2.8 per cent in 1994 over 1993 levels primarily because households bought more expensive homes.

The performance of rental markets varied across Nova Scotia in 1994. By the fall, high vacancy rates prevailed in Metro Halifax-Dartmouth, Sydney, New Glasgow, and Yarmouth. Kentville/Wolfville, Bridgewater, Amherst and Antigonish had a balance of supply and demand, while only in Truro was the rental market tight. Within these markets, vacancies were spread unevenly, with many landlords experiencing no difficulties and

others suffering vacancies as high as 30 per cent.

## 1995-96 Outlook

### Strong housing markets to continue in 1995 and 1996

Nova Scotia's housing markets can look forward to another two years of healthy activity for 1995 and 1996. Resale transactions will ease, but still remain at high levels during the forecast period. New home starts will retreat partially from the strong advance of 1994. In particular, rental starts will decline and vacancy rates remain high. The renovation market will again be strong.

Housing markets will be supported by homeowner incentive programs, including CLIP (see next page), and slow but steady employment gains. The low Canadian dollar is helping export and tourism sectors. But consumer confidence will be tempered by high interest rates, industry restructuring and cutbacks to public sector spending.

Population trends will also begin to dampen housing demand. More people left Nova Scotia than entered the province during the second and third quarters of 1994, reversing the trend of recent years. This outward flow is expected to continue over the forecast period, as job prospects become more attractive outside the province.

In an environment of moderate overall housing demand, the resale



## Program to promote ownership of mobile homes popular

A CMHC program introduced in 1988 to improve access to affordable housing is allowing many Nova Scotians to enter the homeownership market through the purchase of mobile homes. The Chattel Loan Insurance Program (CLIP) enables people to buy a new or existing mobile home with a considerably lower downpayment than with conventional consumer loans.

As a result, financing for a mobile home is becoming less costly than for other types of housing. The total cost of new mobile homes is relatively low — an average of \$51,660 in 1994.

Through the CLIP program, CMHC insured mortgages on 123 mobile homes in Nova Scotia in 1994, up from 103 units in 1993. The expansion of the program in early 1995 to include insurance of existing mobile homes will increase mobile home resales in the future.

Mobile homes are becoming increasingly acceptable to households in the baby-boom age group, according to one manufacturer of mobile homes in Atlantic Canada. These homes are seen as an affordable option at a time when interest rates are rising and lumber and wood products are increasingly costly.

market will be the high point of activity on the markets. Demand for existing homes will be sustained through the forecast period. Although the backlog of first-time buyers is being gradually depleted, the existing market maintains its attraction to a growing client base that values established neighbourhoods and the relative affordability of existing homes.

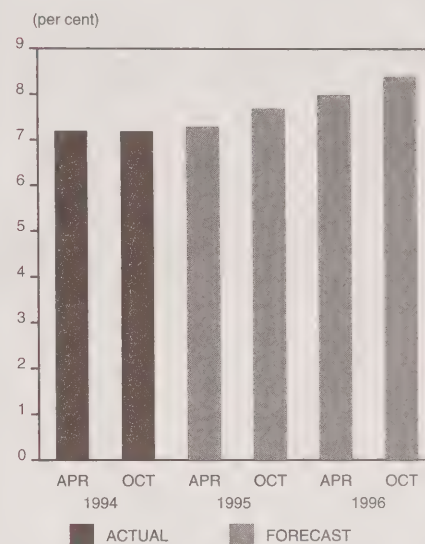
No condominium developments have been built for several years in Nova Scotia and none are expected for the foreseeable future. Prices for condominium units are depressed, and further erosion will occur in 1995 as conversions from rental units proceed.

The current supply of rental units in most Nova Scotia centres will satisfy demand over the forecast period, with the possible exception of Truro where the market is tight. The traditional composition of the renter population is changing, however. "Empty-nesters" are joining young renters in the marketplace, and these older consumers have needs and

demands that are not being met by much of the existing rental stock. This presents owners with both an opportunity and a challenge to renovate to make rental units suitable and to develop new projects for people with specific housing needs.

Total spending on home renovation in Nova Scotia is forecast to rise by 4.2 per cent in 1995, a significant increase over 1994. Roofing and

### Halifax Vacancy Rate (3 units or more, privately initiated)



SOURCE: CMHC.  
1995-96 Forecast.

eaves projects are tops on homeowners' priority lists.

The renovation spending figure would be higher still if it captured the value of do-it-yourself labour. Of all Nova Scotia homeowners intending to renovate next year, 75 per cent will do some jobs themselves to cut costs. This concern with cost is borne out by another finding namely, that half of homeowners say they cannot afford to renovate in 1995. ■

### Key Provincial Indicators NOVA SCOTIA

	1994	1995 <sup>(F)</sup>	1996 <sup>(F)</sup>
Real GDP (% Change)	2.4	2.1	2.0
Employment (% Change)	2.8	1.4	1.3
Unemployment Rate (%)	13.3	13.1	12.7
Housing Starts (Units)			
Total	4748	4500	4400
Singles	3358	3100	3200
Multiples	1390	1400	1200
MLS Sales (Units)	7140	7100	7000
Average MLS Price (Dollars)	91109	93775	96100

SOURCES: CMHC, The Canadian Real Estate Association and Statistics Canada.  
(F) Forecast by CMHC.



# New Brunswick

by Bruce Read and Todd Selby



## Highlights

- Economic expansion will continue
- New construction to see slight gains
- Home prices will rise by almost 3 per cent
- Rental market surplus to continue

## High rates leave their mark on 1994

Interest-rate hikes set back New Brunswick's housing markets in 1994, despite the year's strong employment growth. After record achievements in the spring, new construction ground to a halt in the

second half of the year and experienced the slowest October-December period of the past decade. Although single starts fell only 1.5 per cent, multiple-unit construction dropped by 43 per cent.

The resale market also suffered the impact of higher financing costs. Hesitant to commit to rising interest rates, consumers bought fewer existing homes in 1994. Dwindling demand for resales undercut prices, shaving 0.9 per cent off the average price of homes trading hands. Fredericton, was the only market to buck the trend with its average resale price up by 6.4 per cent.

## 1995-96 Outlook

### Economy to stay on upward trend

The economic momentum of 1994 will continue this year, propelled by a rebound in natural resources and by expansion of the service sector, particularly telecommunications. The result will be overall growth of 3 per cent in 1995 and 2.5 per cent the year after.

Provincial payrolls will gain 5,000 jobs in 1995, after swelling by 19,000 in 1994. Most of this increase will be full-time employment in the service sector.

The forestry industry, which affects one out of every five jobs in the province, is leading the resource sector recovery. Rising demand for

pulp and paper and strong prices will maintain industry gains made in 1994. Most mills are already operating near capacity, limiting job growth over the outlook period. Job security and resulting consumer confidence, however, are on the rise.

Prospects in the lumber industry are also bright. A low dollar, increased exports, and rising prices, will ensure that both woodworkers and mill workers will be busy this year and next.

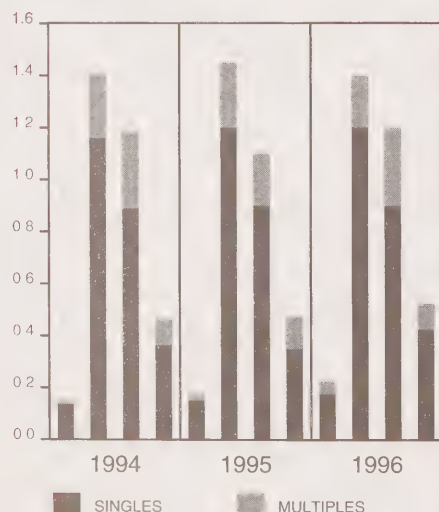
Mining, which has also benefitted from rising prices, will continue to fuel job growth. The reopening of Heath Steele's mines last fall and the start up of Apocan's mine this spring will add more than 600 new jobs to local payrolls.

The key jobs generator in 1995 will be the service sector, with the telecommunications industry leading the way. This industry has a very promising future in the province thanks to recent business expansion announcements made by the Royal Bank, Xerox, and UPS.

Retail trade, which has recovered from the effects of cross-border shopping and low consumer confidence, will also provide hundreds of new jobs during the year. Planned expansions to many of the existing malls and the start up of several new retail projects will bolster employment in the construction industry. This industry may see even further job growth if one of several rumoured industrial expansions takes place.

## Housing Starts NEW BRUNSWICK

(thousands of units)



SOURCE: CMHC.  
1995-96 Forecast.



## Slight gains forecast for housing markets

The ongoing economic recovery will translate into a somewhat better year for housing markets in 1995. Side-lined by the recession of the early 1990s, owners of existing homes will begin to return to the market in an effort to improve their housing status. These move-up buyers will help drive up new home construction by 4 per cent this year. The persistent interest-rate run-up in the first quarter, however, will curb further gains.

Demand for new houses will occur in most of the major market areas. Strong local economies and better job prospects in Moncton and Fredericton will boost starts in these centres. Northern communities will also see starts growth thanks to increased activity in mining and forestry, the economic mainstays of the region. Consumer caution will persist in Saint John, however, because of lay-offs at the local shipyard and the protracted strike at the oil refinery.

Higher financing costs and rising vacancy rates in all the major rental markets will hold down apartment construction for a second year in a row. Developers will wait for occupancy rates to improve and mortgage rates to decline before committing to new projects. Cut almost in half last year, activity will stay at about the 600-unit-level this year. More than half the new units of 1995 will be located in Moncton and Fredericton. Other urban markets will have to wait until 1996 for a recovery in multiples development.

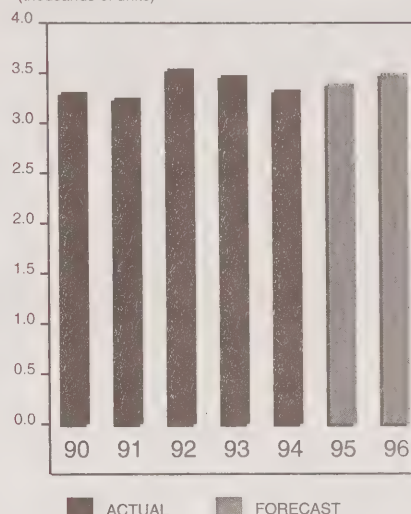
Sales of existing homes will increase as consumers continue to seek affordable homeownership. Moncton will lead the way with sales forecast to surpass the 1,100-unit mark for the first time ever. These gains will be due to strong employment growth and rising in-migration.

In Fredericton, improved job security in the government sector will partly offset rising mortgage rates and bring sales to 900 units by year end. The Saint John resale market will not fare as well. Out-migration and weak employment growth will cause consumers to put off buying decisions until 1996. Resales will increase in northern communities as the region begins to reap the benefits of economic recovery in the resource sector.

Although in 1994 the average resale price declined by \$900, this year should see a price increase of 3 per cent. Last year's strong market for lower-priced entry-level homes will gradually give way to more lucra-

## Residential MLS Sales NEW BRUNSWICK

(thousands of units)



SOURCE: The Canadian Real Estate Association  
CMHC: Forecast.

tive move-up buying. In Fredericton, the average price will surpass the \$100,000 mark, while in the expanding Moncton market it will reach \$85,000. In Saint John, prices will remain at close to last year's level. ■

## Key Provincial Indicators NEW BRUNSWICK

	1994	1995 <sup>(F)</sup>	1996 <sup>(F)</sup>
Real GDP (% Change)	7.9	3.0	2.5
Employment (% Change)	0.7	1.7	2.3
Unemployment Rate (%)	12.5	12.5	10.4
Housing Starts (Units)			
Total	3203	3200	3350
Singles	2547	2600	2700
Multiples	656	600	650
MLS Sales (Units)	3339	3400	3500
Average MLS Price (Dollars)	84149	87000	88000

SOURCES: CMHC, The Canadian Real Estate Association and Statistics Canada.  
(F) Forecast by CMHC.



# Quebec

by Mario Vachon



## Highlights

- Markets give mixed performance in 1994
- High interest rates cause second-half slump
- Transition year forecast for 1995, recovery for 1996

## Markets start strong, end year in downturn

It was an up and down year for the Quebec housing industry in 1994. After raising hopes with vigorous activity first half of year, markets quickly subsided. For the year as a whole, residential construction posted 34,154 starts, a 0.4-per-cent

increase over 1993. Resales rose 5 per cent, with 33,575 units trading hands.

From January to June, both new construction and resales jumped 17 per cent. But then markets fell sharply, at times to lows seen during the 1981-1982 recession. For the second half of the year, housing starts fell 17 per cent while resales saw a 12-per-cent drop.

The turnaround was due to the run-up in interest rates that began last spring causing mortgage rates to rise 325 to 375 basis points, depending on the term. The rate hikes quickly ended the buying spree because of the jump in homeownership costs. The difference in monthly mortgage payments for a \$110,000 house, over a 25-year amortization period, was as high as \$240 between the beginning and the end of last year. If not for the creation of 70,000 new jobs in 1994, which bolstered shaky consumer confidence, the housing decline would have been even more drastic.

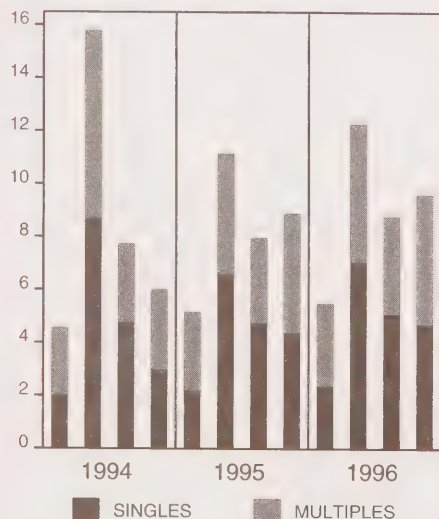
After the rush to buy homes in the first half of the year, buyer demand was largely spent. In addition, potential first-time buyers, a group that accounts for nearly 55 per cent of new home sales in Quebec, were less active than normal because of the jump in financing costs. As a result, the production of popular starter home types, such as row houses (down 42 per cent), semi-detached houses (down 19 per cent) and condominiums (down 20 per cent).

First-time-buyer caution also affected the move-up market. Owners of existing houses could not easily sell their homes, and this in turn slowed demand for new medium-range and upscale houses. Following a surge of 28 per cent during the first half, single starts dropped 12 per cent by the second half of the year. Thanks to the strong sales from January to June, however, single-detached construction ended the year with an 8 per cent increase, for a total of 18,414 starts.

Although the province's vacancy rate dropped to 6.9 per cent last October, the surplus of unfilled units was still high. As a result rental starts

## Housing Starts QUEBEC

(thousands of units)

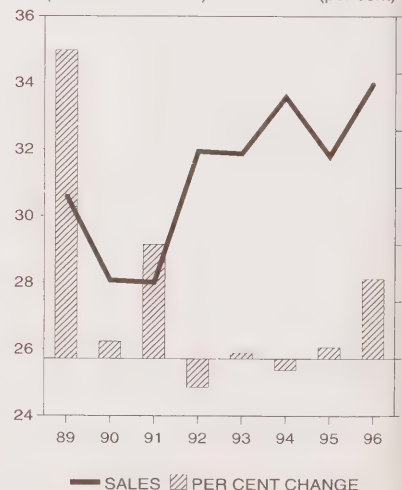


SOURCE: CMHC.  
1995-96 Forecast.

## Residential MLS Sales and Per Cent Change of MLS Price QUEBEC

(thousands of units)

(per cent)



SOURCES: CMHC and The Canadian Real Estate Association.  
CMHC: Forecast.



fell for a seventh consecutive year, this time by 20 per cent.

Resale market conditions have not improved since the end of 1993. The increase in MLS sales over the last year did not deplete much of the listing surplus. As a result, it is still a buyer's market. The average MLS price in Quebec is \$102,242 about the same as the previous year.

## 1995-96 Outlook

### Transition year forecast for 1995, comeback for 1996

Quebec's housing markets will remain in a holding pattern during 1995. This year will see starts at 33,200 units, compared to 34,154 units in 1994. The resale market will drop 5 per cent with a total of 31,800 transactions. Markets will not recover until 1996, when new construction will see gains of 9 per cent, and re-sales will rise by 7 per cent.

If interest rates stay high, however, this forecast may turn out to be optimistic.

The interest rate run-up could also take its toll on the Quebec economy. Gross domestic product (GDP) is forecast to rise by 3 per cent this year and 3.4 per cent in 1996, similar to the 1994 increase. Rising consumer spending will be mainly due to labour market gains of 52,000 new jobs in 1995 and 71,000 jobs in 1996. Still, consumer confidence will remain shaky because of the threat of high interest rates, the high rate of household debt and upcoming government belt-tightening budgets.

First-time home buyers will be back in the market in 1995, but less than in early 1994. The jobs created in 1994 for the 25-to-44-year-olds will help fuel demand, as will the provincial program to lighten the

## Robust renovation market forecast

Quebec's renovation market will be worth \$4.9 billion in 1995, outpacing the new home building sector by \$1.6 billion. In fact, renovation spending will account for 60 per cent of investments in residential housing next year.

The strength of the renovation market is due to several factors. Lower unemployment and renewed job creation are restoring consumer confidence. The sluggish resale market is encouraging homeowners to opt for renovation instead of moving. Finally, the large stock of existing homes (over 2.7 million units in Quebec) provides a wide and steady base for renovation activity.

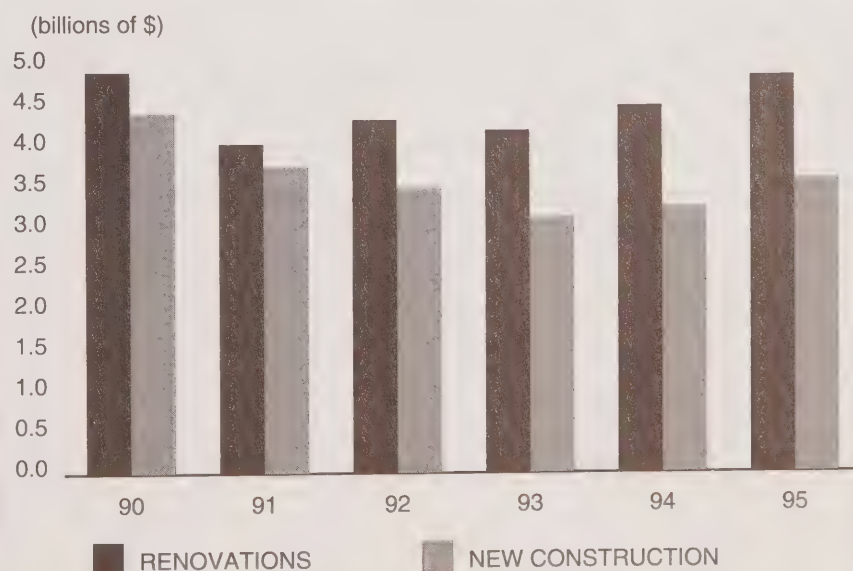
With property values rising very little and resale transactions limited, however, the increase in renovation expenditures forecast for 1995 (8 per cent) is smaller than the average growth seen during the real estate boom in the mid-1980s.

CMHC's most recent publication Quebec Renovation Markets 1995 shows that, among households that renovate, new homeowners undertake the most projects and tend to spend more than average.

Most homeowners renovate their homes to make them more attractive and keep them in good condition. The top renovations (in terms of dollars spent) include replacing doors and windows, renovating kitchens and also redoing bathrooms.

As these major renovations usually require professional help, two out of every three dollars of renovation expenditures are the result of contract work, according to the latest survey conducted by Statistics Canada.

### Home renovation will be a \$4.9 billion market in Quebec in 1995



Sources: Statistics Canada; 1994-1995 CMHC forecast.



monthly mortgage payment load for first-time buyers. As well, the federal First Home Loan Insurance (FHLI) program will help with down-payments.

As a result of first-time buyer activity, starter home production will drop 1 per cent in 1995, with condominiums decreasing by 2 per cent,

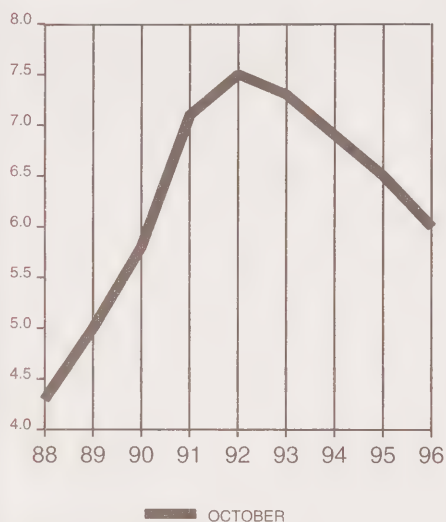
and semi-detached and row houses remaining at last year's level.

Rental housing starts will drop further in 1995, with little recovery foreseen for 1996. This year will see 3,800 rental starts (a 4-per-cent decrease) followed by 3,900 in 1996 (a 3-per-cent rise). Although the vacancy rate should drop to 6.5 per cent in October 1995, supply will well exceed demand.

Even if more people aged 15 to 24 years find jobs, the rental surplus will continue because relatively few young people are forming households

and because immigration is low. Due to the current oversupply, financial institutions are cautious about financing new rental projects. As well, high interest rates are reducing profitability for rental developers. All these factors will hold back further rental housing construction over the next 24 months. ■

### Vacancy Rate Apartment Structure of Three Units & Over QUEBEC



SOURCE: CMHC.  
1995-96 Forecast.

### Key Provincial Indicators QUEBEC

	1994	1995 <sup>(F)</sup>	1996 <sup>(F)</sup>
Real GDP (% Change)	3.4	3.0	3.4
Employment (% Change)	2.4	1.7	2.3
Unemployment Rate (%)	12.1	11.8	11.4
Housing Starts (Units)			
Total	34154	33200	36200
Singles	18414	17900	19200
Multiples	15740	15300	17000
MLS Sales (Units)	33575	31800	34000
Average MLS Price (Dollars)	102242	102400	103800

SOURCES: CMHC, The Canadian Real Estate Association and Statistics Canada.  
(F) Forecast by CMHC.



# Ontario

by Alex Medow



## Highlights

- High interest rates dampen housing activity in 1994
- Price cycle to favour first-time buyers
- Net migration to stay at current levels

## Mortgage rate hikes derail housing markets

Job recovery pushed 1994 housing starts in Ontario 3.3 per cent higher than the 11-year low seen in 1993. By year end, however, rising mortgage rates had slowed both the new home and existing housing markets.

The resale market faltered earlier because it is dominated by first-time buyers sensitive to high borrowing costs and affected by interest-rate hikes. MLS sales and average prices edged down in the third quarter. New home markets followed, with starts slipping from a seasonally adjusted annual rate (SAAR) of 48,600 units in the third quarter to 46,400 SAAR in the fourth.

The year's increase in new construction was due to higher starts of single-detached homes, condominiums and multiples with a freehold land ownership. Rental construction declined significantly, however, due to high vacancy rates and lower

numbers of government-assisted starts. As a result, the total figure for multiple starts in 1994 was the lowest in a decade.

New house prices in Ontario's eight largest metropolitan areas have stayed flat or have come down. Declines occurred in Hamilton, Kitchener, St. Catharines and Toronto — all situated along Lake Ontario's recession-ravaged "Golden Horseshoe."

A new housing option has emerged in Toronto with the successful marketing of condominiums converted from vacant office space. Currently specific to Toronto, this trend may present opportunities in other markets as well.

## 1995-96 Outlook

### Interest rates to offset job growth in 1995

Economic factors will tug Ontario's housing demand in two directions this year. Job growth will boost demand, but high interest rates will pull it back down. Toronto, where job recovery has been weakest, will experience a significant housing market slowdown.

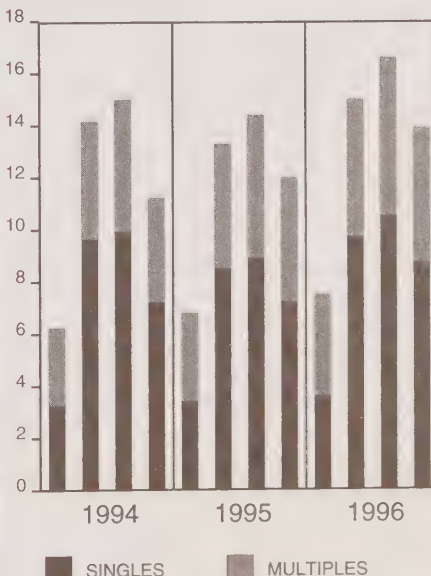
Demographic developments will include a decline in the number of younger people, which will keep rental vacancy rates fairly high.

Meanwhile, Ontario's baby boomers will move into age brackets traditionally associated with move-up buying. However, the current stage of the home-price cycle still favours first-time purchases.

Net in-migration is anticipated to flatten to moderate levels. Declines in the number of immigrants coming to the province — the result of lower national targets — will be offset by smaller outflows of non-permanent residents and more job seekers coming in from the rest of Canada.

## Housing Starts ONTARIO

(thousands of units)



SOURCE: CMHC.  
1995-96 Forecast.



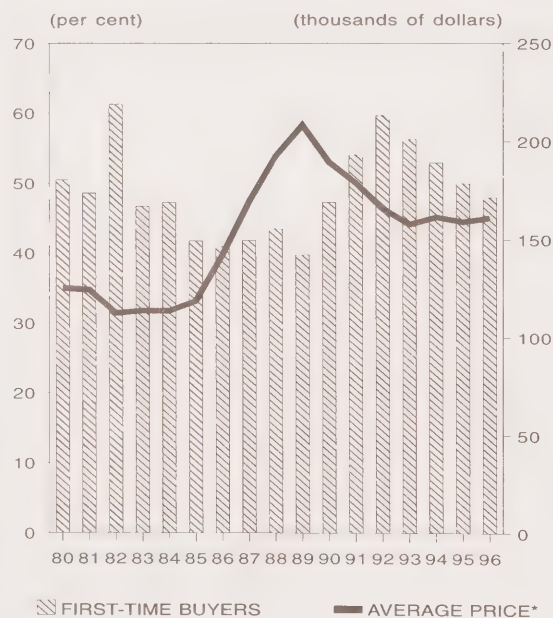
# FOCUS ON ONTARIO'S FIRST-TIME BUYERS

First-time homebuyers are always a significant force in Ontario's housing markets. They make up a large share of purchasers at all stages of the economic cycle, even boom years when home prices are high. But their influence tends to rise following a recession because home prices drop, putting a first home purchase within reach of more people.

The graph below demonstrates how Ontario's share of first-time home purchases increased in the years which followed the price declines of 1981-82 and 1990-1993. During the latter cycle, Hamilton, Ottawa and Toronto were the first of the province's major metropolitan areas to experience major shifts to first-time consumers.

Demographic forces, however, may offset the influence of first-time buyers. Although high immigration has expanded the potential first-time buyer pool, Ontario's baby boomers have entered age groups traditionally associated with more move-up purchases. The province's number of births peaked in 1960, which means that the typical baby boomer turns 35 this year. By this age most consumers have made their first home purchase and look forward to trading up. The Household Income, Facilities and Equipment (HIFE) survey data on home purchases by age shows that almost two-thirds of first-time home purchases tend to be made before age 35. More than two thirds of second-round home purchases are made after this age.

**First-time Buying Follows Price Declines**



\* Inflation adjustment.  
Source: CREA, HIFE 1983-1993.  
CMHC: 1994 estimate, 1995-96 forecast.

## Ontario's Age Distribution of Home Purchases

*Almost two-thirds of first-time purchases by 35  
Under one-third of higher round purchases*

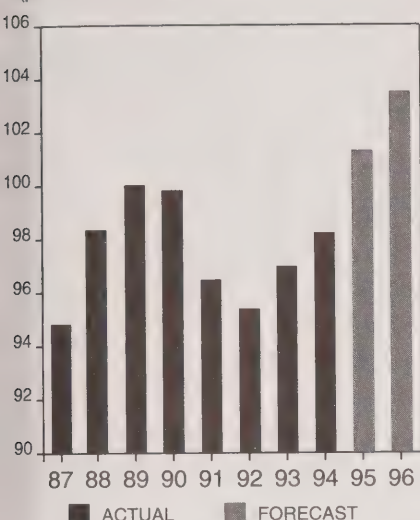
Age at Purchase	First-time Purchase (per cent)	Higher Round Purchases (per cent)
15 to 19	0.6	0.1
20 to 24	12.6	2.0
25 to 29	28.6	10.9
30 to 34	20.0	18.4
Subtotal	→ 61.8%	→ 31.4%
35 to 39	12.0	17.4
40 to 44	6.8	13.7
45 to 49	5.1	9.4
50 to 54	4.1	8.3
55 to 59	3.8	6.7
60 to 64	2.6	5.1
65 +	3.8	8.0
Total	100.0%	100.0%

Source: Weighted average of samples from HIFE 1983, 1985, 1987, 1991 and 1993.



## Ontario Employment Recovery

(per cent of 1989 peak)



SOURCE: CANSIM.

CMHC: Indexing and forecast.

## Job growth will boost 1996 housing markets

A weak resale market at the end of 1994 is a sign that the recovery in home construction is also about to lose steam. High mortgage rates, predicted for the first half of this year, will discourage home sales, especially to first-time buyers. As a result, second-round buyers — who tend to buy more new construction — will have to wait longer to sell and make their moves.

Ontario's average MLS price is forecast to edge down in 1995, but increase modestly at or under the general rate of inflation next year as job growth drives sales up. Move-up buyers will remain cautious until next year, when they will have convinced

themselves that Ontario's markets have hit the turning point of the price cycle and there will again be future gains in home equity.

Construction material prices (especially for wood products) and labour costs have started to creep up. Ontario builders, who have to compete with existing home markets, will find it difficult to pass cost increases on to consumers.

Starts of single-detached homes will edge down because of this year's high mortgage rates, but pick up with the resale market in 1996. Multiple-family home starts, which hit a ten-year low last year, will rise both in 1995 and 1996. Homebuyers in search of affordable new homes will boost condominium construction, while declines in vacancy rates and assistance under the province's Jobs Ontario Program will nudge up rental starts. Condominium inventories

(completed and unoccupied units and units under construction) have come down significantly in the last two years, adding to the likelihood of future condominium construction increases.

Vacancy-rate declines are predicted in all Ontario's major metropolitan areas, with the lowest rates forecast for Toronto and Windsor. Toronto's vacancy rate will fall comparatively low for two main reasons: 1) rental units will be filled by many immigrants being drawn to the city, and 2) slow job growth in the area will limit the numbers of people able to shift from rental to ownership. Windsor's decrease in surplus rentals will be due to an economic boost from major construction projects and a healthy automotive sector. ■

### Key Provincial Indicators ONTARIO

	1994	1995 <sup>(F)</sup>	1996 <sup>(F)</sup>
Real GDP (% Change)	3.3	4.1	3.4
Employment (% Change)	1.5	3.2	2.1
Unemployment Rate (%)	9.6	8.4	8.1
Housing Starts (Units)			
Total	46645	46500	53000
Singles	30036	28000	32500
Multiples	16609	18500	20500
MLS Sales (Units)	129957	120000	130000
Average MLS Price (Dollars)	161263	159000	162000

SOURCES: CMHC, The Canadian Real Estate Association and Statistics Canada.

(F) Forecast by CMHC.



# Manitoba

by Richard Goatcher



## Highlights

- Economy keeps growing but new jobs are scarce
- Higher mortgage rates cut housing starts in 1995
- Resales to falter in 1995 after two strong years

## Urban housing markets slip in second half

Despite economic growth in 1994, Manitoba's major housing markets weakened in the second half as higher mortgage rates cooled buyer interest. In the urban areas, both new construction and resales fell off

sharply in the fourth quarter, resulting in little year-over-year improvement. In Winnipeg, rising inventories of unsold new singles cut sharply into starts during the final months of the year.

Outside the major centres, however, it was a different story. An improved farm economy boosted new construction in rural Manitoba, countering the urban slump and lifting total starts across the province above 1993 levels.

Resale markets ended the year up slightly, with a weak fourth quarter tempering the achievements of a robust first half. Nevertheless, average resale prices rose in Winnipeg due to an increase in trade-up sales. Another bright spot of 1994 was the Winnipeg condominium market, which enjoyed brisk sales throughout the year. First-time buyers used 95 per cent loans to access an abundant supply of affordable conversion units. Meanwhile, vacancies in Winnipeg's rental apartment market continued to decline.

provincial economy strengthened over the past year, much of the growth came from exports and business investment, with domestic demand remaining fairly soft. Consumer confidence remains weak due to high jobless figures, but recent surveys show a more positive trend slowly emerging and likely to continue throughout 1995.

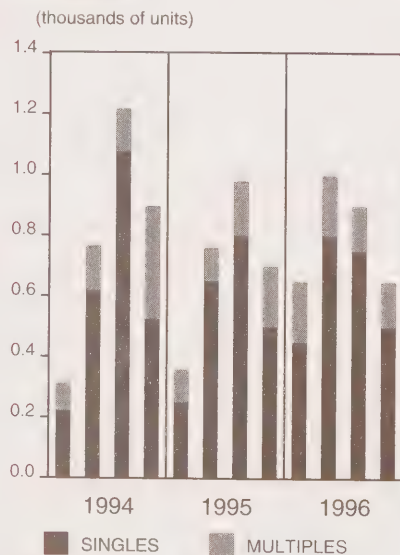
In 1994, the weak job market was the key factor holding back new house construction in Manitoba's cities. This year, job creation will also be slow keeping unemployment high. This, in turn, will limit the rebound in consumer confidence and demand for new homes.

The economic good news includes increased exports to the United States. These will help sustain the manufacturing recovery in 1995, although demand is expected to slip in 1996. In other positive developments:

- A rise in agriculture-related exports in 1994 has boosted farm equipment sales and service.
- Another year of strong grain prices in 1995 will help raise rural housing starts later in the year and into 1996.
- Stronger global demand will also continue to push up prices in Northern Manitoba's resource sector.

Real income growth, which faltered in 1993 and 1994, will rise slightly in 1995 thanks to gains in the

## Housing Starts MANITOBA



SOURCE: CMHC.  
1995-96 Forecast.

## 1995-96 Outlook

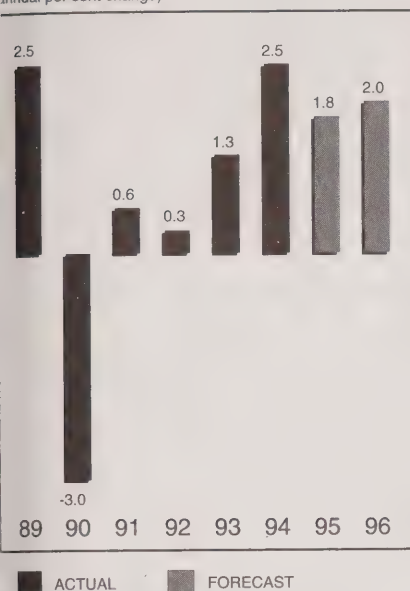
### Economy improves but jobless numbers still high

As is usually the case, Manitoba's economic cycle is lagging behind that of the rest of Canada and its recovery is later — a trend that will continue in both 1995 and 1996. Although the



## Residential Resale Prices Annual Average MANITOBA

(annual per cent change)



SOURCE: The Canadian Real Estate Association.  
CMHC: forecast.

private sector. Tight government budgets, however, will limit economic growth throughout the forecast period. Other risks to the economy are potential downsizing in financial services, transportation, utilities, health care and defence.

## Interest rates to weaken markets in 1995

High mortgage rates will hold back a housing recovery in Manitoba during 1995, eroding affordability and offsetting the stimulus of employment growth and a stronger rural economy. The industry will also see the effects of weak demand for new homes in Winnipeg which occurred during the fourth quarter of 1994. The area now has a large surplus of unsold new units and this will suppress residential construction at the beginning of the year.

For 1995 as a whole, singles starts will decline despite another strong performance in rural markets. In

1996, falling mortgage rates and continued economic growth will boost singles construction to almost 2,500 units.

Multiple starts advanced in 1994 despite a slight slowdown in urban centres where increased seniors' life-lease and condominium construction failed to counter losses in social housing. With both condominium and rental markets improving in Winnipeg, urban-area multiples starts should rise in 1995. However, rural activity will be weaker, and total multiple starts will drop in 1995 before increasing the following year. As in 1994, this year will see few new privately-owned rental projects due to continued, albeit improving, high vacancy rates.

Resales in the province's four cities will also decrease in 1995, but will bounce back next year to 1994's high levels. Average resale prices rose last year because of strong sales in higher-priced homes. This trend will continue into 1996 although at a more moderate pace. Average resale prices should reach \$87,000 by 1996.

In Winnipeg, the existing condominium market saw robust sales last year. The pace will slow in 1995 because of the impact of higher mortgage rates, particularly on first-time

buyers. Average prices in this market will remain at around \$70,000 as modestly priced conversion units continue to become available.

The vacancy rate in Winnipeg in private rental buildings of three or more units was 5.6 per cent in October 1994, down from 5.9 per cent in October 1993. This gradual improvement should continue, following the trend seen since 1990. April 1995 vacancies will fall to 5 per cent, moving seasonally upward in October to 5.2 per cent.

Higher mortgage rates in early 1995 will contribute to lower vacancy rates, slowing the loss of renters to homeownership. Nevertheless, many renters will still make the switch, spurred by a large supply of affordable homes for sale and the federal first-time buyer incentive program. This will free up some rental units.

In 1996, an improving economy should boost consumer demand for rental units and continue to drive vacancy rates lower. In addition, the completion of multiples in Winnipeg will remain low in 1995 and 1996, with most builders targeting the condominium or seniors' life-lease markets. ■

### Key Provincial Indicators

#### MANITOBA

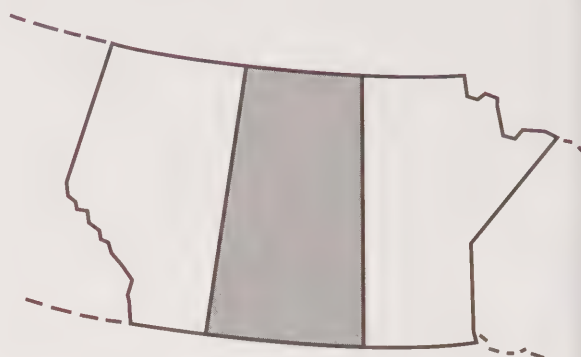
	1994	1995 <sup>(F)</sup>	1996 <sup>(F)</sup>
Real GDP (% Change)	2.5	2.2	2.0
Employment (% Change)	0.4	0.9	1.4
Unemployment Rate (%)	9.1	9.0	8.4
Housing Starts (Units)			
Total	3197	2800	3200
Singles	2441	2200	2500
Multiples	756	600	700
MLS Sales (Units)	10825	10300	10700
Average MLS Price (Dollars)	83761	85300	87000

SOURCES: CMHC, The Canadian Real Estate Association and Statistics Canada.  
(F) Forecast by CMHC.



# Saskatchewan

by Bruce McDonald and Paul Caton



## Highlights

- Economy to grow at steady pace
- Unemployment to remain at current levels
- Market conditions to improve for new construction

## Housing markets advanced in 1994

Rising consumer confidence boosted Saskatchewan's housing markets in 1994, lifting new home construction above the 2,000-unit mark for the first time in six years. Although starts were close to recession levels during

the first half of the year, the numbers almost doubled in the second half.

The June-to-December rebound was due to gains in all the province's markets. The existing home sector strengthened as sales rose, especially to first-time buyers, and listings declined. Thanks to price gains in the resale market, the price gap between new and resale homes has narrowed, although it remains wide, and a new home is still deemed a luxury.

Despite brisk homebuying activity by renter households, rental vacancies stayed down because of migrants to urban areas from the countryside and less out-migration to other provinces. As a result, October's vacancy rate in Saskatchewan was the lowest in years.

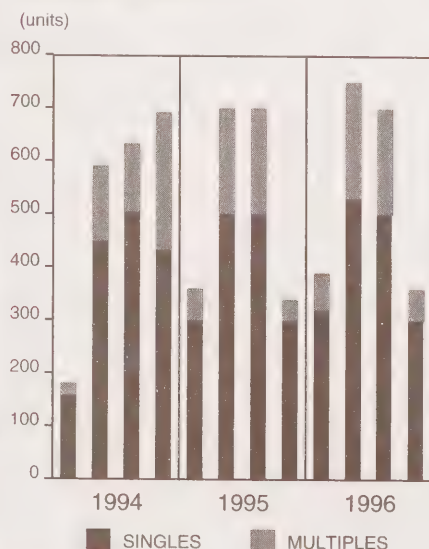
upswing has reduced farm debt and dependence on subsidies.

Resource sectors including potash mining, oil and gas exploration, pulp and paper and forestry are also benefiting from improved world markets. In addition, food processing activities and research are expanding, giving strength to the manufacturing sector.

The recent economic improvements, however, have not resulted in job growth in 1994. The province will see some job creation over the next two years, but only enough to offset the expansion of the labour force. Increasing out-migration to other provinces will also serve to keep the unemployment rate at current levels over the forecast period.

Consumer confidence is beginning to strengthen, as shown by the significant upturn in retail and automobile sales in 1994. The trend will continue in 1995 and 1996 as more people find jobs.

## Housing Starts SASKATCHEWAN



SOURCE: CMHC.  
1995-96 Forecast.

## 1995-96 Outlook

### Steady growth forecast

The Saskatchewan economy is returning to steady growth thanks to demand for natural resource exports, agricultural strength and reduced out-migration. In addition, the provincial government expects to meet its goal of a balanced budget by the spring.

The agricultural sector performed well over the year and has recovered from the recession. Crop and livestock diversification, rising prices and improved trade conditions contributed to the rebound. The general

### Tighter resale and rental markets improve new construction outlook

Over the next two years, demand will outstrip supply in Saskatchewan's resale and rental housing markets, providing a needed boost to new construction. The forecast period will see the most promising environment in years for new home construction as



potential resale buyers and renters turn to new housing to meet their accommodation needs. Developers will try to tap into this clientele by building more affordable, quality housing targeted to first-time buyers. There will be less focus on large-scale move-up homes.

Household formation and migration from rural areas to cities will help sustain the demand for rental accommodation over the next two

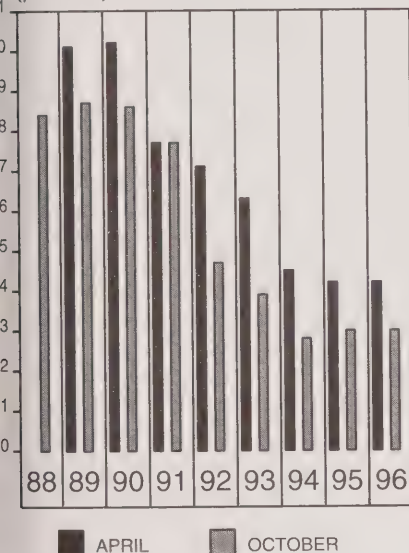
years. Few new projects are forecast, however, because rents are insufficient to support new construction, even though they are forecast to rise slightly. Of the limited rental construction that does take place, most will be row-style wood-frame buildings, which are in high demand.

The resale market will maintain its current high activity rate during the forecast period, thanks to consumer confidence, affordable housing and a large supply of potential homebuyers within the rental population. The number of listings of homes for sale will remain historically low in many cities, especially Regina and Saskatoon. As a result, some poten-

tial resale buyers will look to new construction to satisfy their needs. Average prices of resale homes will increase, narrowing the price gap between existing and new homes.

Despite considerable improvements in the rural economy, housing market activity in these areas will not rise significantly. Because of large reductions in the rural population base over the past few years, the existing rental and resale housing supply will likely suffice to meet future demand. ■

**Apartment and Row  
Vacancy Rates  
(Privately Initiated Units)  
SASKATCHEWAN**  
(per cent)



SOURCE: CMHC.

#### Key Provincial Indicators

##### SASKATCHEWAN

	1994	1995 <sup>(F)</sup>	1996 <sup>(F)</sup>
Real GDP (% Change)	4.0	3.0	2.5
Employment (% Change)	0.0	0.9	0.5
Unemployment Rate (%)	7.0	6.5	6.5
Housing Starts (Units)			
Total	2098	2100	2200
Singles	1542	1600	1650
Multiples	556	500	550
MLS Sales (Units)	7459	7550	7400
Average MLS Price (Dollars)	72738	75000	76850

SOURCES: CMHC, The Canadian Real Estate Association and Statistics Canada.  
(F) Forecast by CMHC.



# Alberta

by David Peever and Laurie Scott



## Highlights

- Economy takes a breather in 1995
- High interest rates, slower growth, reduce housing sales
- Inventories remain focus in Edmonton, threaten in Calgary

## Housing industry pace slowed in late 1994

Residential construction was little changed in 1994, with starts down by 2 per cent over 1993, although activity was not evenly distributed around the province. The pace slowed dramatically in the second half of the

year, particularly in Edmonton, which recorded a 26-per-cent drop — the largest relative decline of any major Canadian centre.

Much of the decline in Edmonton's multi-family sector was made up for in Calgary, which saw a burst of condominium construction during the second half. Activity was also up significantly in smaller centres, most notably Grande Prairie and Lethbridge.

Resale markets fared less well. MLS sales declined 12 per cent for the province as a whole. After a strong first quarter, high interest rates had an immediate impact on existing-home sales. Resales slowed to a crawl by the fourth quarter, which was the weakest quarter for Alberta resales since 1988.

The rental market improved slightly, or at least stopped deteriorating, in most centres. Despite a decline in migration to Alberta, high interest rates reduced the flow of renters into the homeownership market, allowing vacancy rates in eight Alberta centres to decline in October.

faces lower prices, in part a result of discoveries during the last two years of aggressive exploration. Consequently, exploration spending is expected to decline. In addition, the provincial government has further expenditure cuts to make as part of its three-year deficit elimination program. GDP growth will slip below 3 per cent for the first time since 1992, and job creation will fall from the 35,000 new jobs of 1994 to about 25,000.

That these figures remain positive stems from an exchange rate favouring the resource sector, and from non-residential construction, particularly expansion of the oilsands production capacity. Infrastructure spending associated with the National Infrastructure Program will also help support growth.

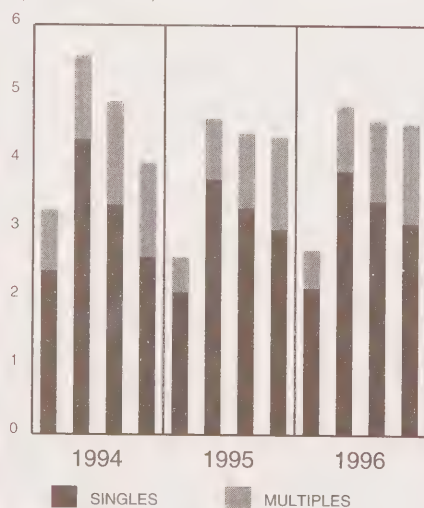
Despite employment growth of 2.9 per cent during the year, and an unemployment rate of less than 8 per cent at year's end, Alberta has failed to attract new residents. During the late 1980s net migration to Alberta often exceeded 20,000 per year. A net loss of 4,000 is expected in both 1994 and 1995.

In addition to slower economic growth, housing markets will face challenges from higher-than-expected interest rates and, in some centres, inventory adjustment. Interest-rate increases early in the first quarter of 1995 exceeded expectations. Furthermore, without a

## Housing Starts

### ALBERTA

(thousands of units)



SOURCE: CMHC.

1995-96 Forecast.

## 1995-96 Outlook

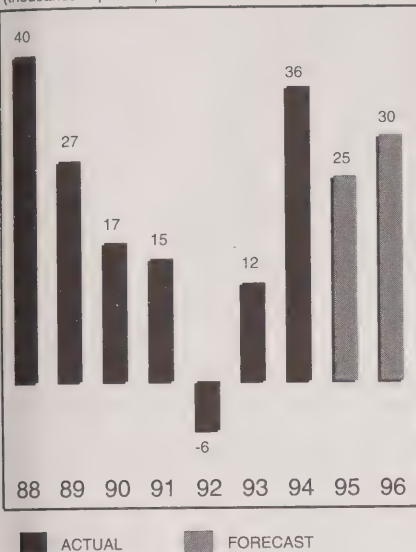
### Slower economic growth in 1995

After two years of strong growth, the Alberta economy will pause slightly in 1995. The natural gas industry



## Change in Employment Levels ALBERTA

(thousands of persons)



SOURCE: CMHC  
1995-96 Forecast..

return to single-digit five-year mortgage rates, which is not anticipated until 1996, the starter segment of the ownership market is expected to contract further this year. Employment gains will help support mid-priced and high-priced home sales, but at levels below last year.

### Mortgage rates discourage first-time buyers

Housing starts will decline 9.6 per cent in 1995. Edmonton will endure its second consecutive year of high new-condominium inventory, leading to a further reduction in multi-family starts. Calgary is expected to record a decline in multi-family starts as well, as the anticipated completion of more than 1,000 condominium units during

the first quarter will satisfy a significant portion of the year's demand.

Single-family construction will soften slightly, principally because of relatively high interest rates. Edmonton builders continue to carry large inventories of complete and unoccupied singles, which reduces the likelihood of a recovery in single-family starts in 1995.

The prospects for an increase in MLS sales decrease with every interest-rate hike. The resale market depends more on the buyer concerned with affordability than does the new home market. High interest rates are likely to lead to further modest declines in MLS sales. In addition, the Edmonton market continues to carry an oversupply of active MLS listings, which is depressing prices.

High interest rates provide short-term relief to rental markets burdened by high vacancy rates, as affordability concerns discourage tenants from becoming homebuyers. While

vacancy rates will stabilize, and may trend downward slightly in some of the more oversupplied markets, a considerable rebound in net migration to Alberta will be needed to restore balance to the rental market.

### Improvement forecast for 1996

Higher natural gas prices, and the completion of the provincial deficit elimination program, will set the stage for stronger economic growth next year. Other sectors to watch include forest products (particularly paper) and oilsands. Declining interest rates will ensure that the benefits of an improved economy support gains in housing. ■

#### Key Provincial Indicators

ALBERTA	1994	1995 <sup>(F)</sup>	1996 <sup>(F)</sup>
Real GDP (% Change)	3.8	2.8	3.2
Employment (% Change)	2.9	1.9	2.3
Unemployment Rate (%)	8.4	8.2	8.1
Housing Starts (Units)			
Total	17692	16000	16700
Singles	12671	12150	12550
Multiples	5021	3850	4150
MLS Sales (Units)	32512	31800	33400
Average MLS Price (Dollars)	117336	120000	123000

SOURCES: CMHC, The Canadian Real Estate Association and Statistics Canada.  
(F) Forecast by CMHC.



# British Columbia

by Helmut Pastrick

## Highlights

- High rates batter 1994 housing sales
- Migration and economy to lose momentum
- Housing market in adjustment phase

## High rates cut into housing sales

A string of mortgage rate hikes took a severe toll on both the resale and new construction markets in British Columbia during the second half of 1995.

Monthly MLS sales fell by one quarter from earlier in the year. As well, by the final quarter, house prices began to ease lower, since market supply was outstripping sales by a growing margin. In the new home market, lower sales resulted in a surplus of unsold units. Competitive market conditions put downward pressure on prices and profit margins. By year end, housing construction fell to its lowest level in several months.

Housing market conditions have not been so adverse since 1991, the last time that interest rates were this high. The current housing cycle has reached its peak and will now enter into an adjustment phase. The extent and duration of this adjustment will

depend on the future course of interest rates and other key demand factors.

## 1995-96 Outlook

### Migration and economy to lose momentum

After two consecutive record years of migration, British Columbia can expect a decline in 1995. International migration will fall due to the lower national targets recently announced. Interprovincial migration will likely also ease downward in response to economic improvements in central Canada. In addition, high house prices in B.C. will discourage people from relocating in the province and encourage some to leave. Lower population growth will mean fewer new households and less economic stimulus.

The economy and job growth will also slow down in 1995 and 1996 because of faltering markets outside the province causing less demand for B.C. products. Although the low Canadian dollar will stimulate exports, this activity will be limited because of a forecast cooling off period in the U.S. economy. Exports to Pacific Rim countries, however, are expected to increase due to stronger growth in Japan.



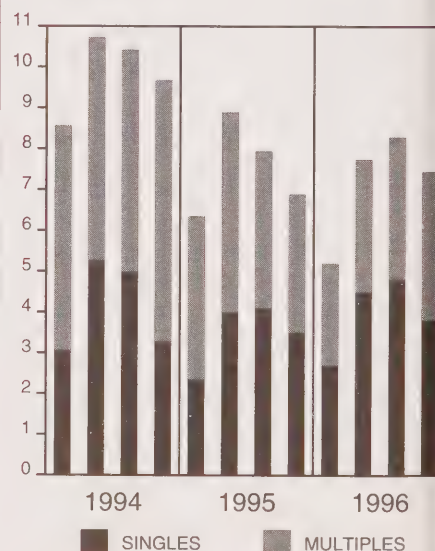
Overall, B.C.'s export performance will still be fairly good, but this will be offset by less population growth. Housing construction will be lower and service-sector activity will grow more slowly. Nonresidential investment is expected to gradually improve after the past two lacklustre years.

## Housing market in adjustment phase

The housing industry will have to adjust to lower demand in 1995, with fewer sales, lower prices, and less new construction activity forecast for

### Housing Starts BRITISH COLUMBIA

(thousands of units)

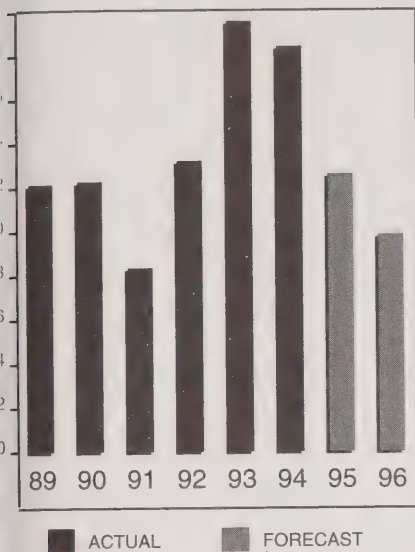


SOURCE: CMHC.  
1995-96 Forecast.



## Urban Condominium Starts BRITISH COLUMBIA

(thousands of units)



SOURCE: CMHC.

the coming year. In response, builders and realtors will likely increase their marketing efforts and sales inducements to move unsold units in a very competitive environment.

The current adjustment phase has been brought on by forces external to the housing market — higher interest rates. Overbuilding and over-optimism by developers or lenders were not to blame as financing was already tight for about two years before the downtrend began. Adjustment periods occur regularly, although at unpredictable intervals, over the housing cycle. In almost every previous cycle, negative external factors have been the underlying reason.

This year, housing construction will drop below its long-term average level as unsold inventory increases. The condominium sector will bear the brunt of the slowdown, with starts forecast to fall by about twice as much as single-family starts. The condominium market will face more of an adjustment because of its greater inventory surplus and the larger scale of condominium projects. This market is also more oriented towards interest-rate-sensitive first-time buyers, who have been particularly affected by the recent run-up in rates. The condominium market's inventory surplus will be limited, however, by a high level of pre-sales.

Overall, the current adjustment phase is not expected to be severe. Interest rates will peak this year and population growth will remain substantial, even though down from last year's levels. And while housing markets will be slower in 1995, the

decline comes in the wake of two to three years of record and near-record levels in sales, prices and new supply.

In 1996, markets are expected to enter recovery phase. Lower mortgage rates will begin the process of stimulating pent-up demand and boosting sales. As a result, unsold inventory will be drawn off, bringing firmer prices and more new construction.

In the rental market, low vacancy rates are expected to prevail over the next year. Normally, this would mean an increase in rents, however, a provision in the provincial government's Rent Protection System, to be proclaimed shortly, will limit rent increases to a "justifiable amount." This, in turn, will inhibit investment in rental housing and help to keep the vacancy rate low. Fewer rental buildings will be constructed, and there will be less investor interest in condominiums. ■

### Key Provincial Indicators BRITISH COLUMBIA

	1994	1995 <sup>(F)</sup>	1996 <sup>(F)</sup>
Real GDP (% Change)	4.4	3.4	2.8
Employment (% Change)	4.2	3.0	2.5
Unemployment Rate (%)	9.3	9.3	9.5
Housing Starts (Units)			
Total	39408	30100	28700
Singles	16591	13950	15800
Multiples	22817	16150	12900
MLS Sales (Units)	73378	62000	68500
Average MLS Price (Dollars)	228177	217000	219000

SOURCES: CMHC, The Canadian Real Estate Association and Statistics Canada.  
(F) Forecast by CMHC.



## Housing Starts

**Total**  
(units and annual per cent change)

	1990	1991	1992	1993	1994	1995 <sup>(F)</sup>	1996 <sup>(F)</sup>
NFLD	3245	2836	2271	2405	2243	2050	1950
%	-8.2	-12.6	-19.9	5.9	-6.7	-8.6	-4.9
PEI	762	553	644	645	669	550	600
%	-6.5	-27.4	16.5	0.2	3.7	-17.8	9.1
NS	5560	5173	4673	4282	4748	4500	4400
%	3.8	-7.0	-9.7	-8.4	10.9	-5.2	-2.2
NB	2683	2872	3310	3693	3203	3200	3350
%	-27.1	7.0	15.3	11.6	-13.3	-0.1	4.7
QUE	48070	44654	38228	34015	34154	33200	36200
%	-2.0	-7.1	-14.4	-11.0	0.4	-2.8	9.0
ONT	62649	52794	55772	45140	46645	46500	53000
%	-32.9	-15.7	5.6	-19.1	3.3	-0.3	14.0
MAN	3297	1950	2310	2425	3197	2800	3200
%	-19.3	-40.9	18.5	5.0	31.8	-12.4	14.3
SASK	1417	998	1869	1880	2098	2100	2200
%	-25.7	-29.6	87.3	0.6	11.6	0.1	4.8
ALTA	17227	12492	18573	18151	17692	16000	16700
%	17.1	-27.5	48.7	-2.3	-2.5	-9.6	4.4
BC	36720	31875	40621	42807	39408	30100	28700
%	-5.6	-13.2	27.4	5.4	-7.9	-23.6	-4.7
CAN	181630	156197	168271	155443	154057	*141000	*150300
%	-15.7	-14.0	7.7	-7.6	-0.9	-8.5	6.6

SOURCE: CMHC.

(F) Forecast.

\* Total does not add due to rounding.



## Housing Starts

### Singles (units and annual per cent change)

	1990	1991	1992	1993	1994	1995 <sup>(F)</sup>	1996 <sup>(F)</sup>
NFLD	2468	2135	1611	1559	1455	1375	1325
%	-15.8	-13.5	-24.5	-3.2	-6.7	-5.5	-3.6
PEI	483	376	421	460	454	425	450
%	5.9	-22.2	12.0	9.3	-1.3	-6.4	5.9
NS	3639	2604	3232	3126	3358	3100	3200
%	8.3	-28.4	24.1	-3.3	7.4	-7.7	3.2
NB	2137	2154	2391	2535	2547	2600	2700
%	-26.5	0.8	11.0	6.0	0.5	2.1	3.8
QUE	24942	22531	18564	17136	18414	17900	19200
%	1.8	-9.7	-17.6	-7.7	7.5	-2.8	7.3
ONT	32425	26290	27868	26240	30036	28000	32500
%	-39.4	-18.9	6.0	-5.8	14.5	-6.8	16.1
MAN	2847	1589	1683	1874	2441	2200	2500
%	-4.0	-44.2	5.9	11.3	30.3	-9.9	13.6
SASK	1087	775	1484	1342	1542	1600	1650
%	-21.4	-28.7	91.5	-9.6	14.9	3.8	3.1
ALTA	13809	9778	14125	13040	12671	12150	12550
%	11.9	-29.2	44.5	-7.7	-2.8	-4.1	3.3
BC	18478	18335	21472	17787	16591	13950	15800
%	-14.5	-0.8	17.1	-17.2	-6.7	-15.9	13.3
CAN	102315	86567	92851	85099	89509	*83300	*91900
%	-18.8	-15.4	7.3	-8.3	5.2	-6.9	10.3

### Multiples (units and annual per cent change)

	1990	1991	1992	1993	1994	1995 <sup>(F)</sup>	1996 <sup>(F)</sup>
NFLD	777	701	660	846	788	675	625
%	28.6	-9.8	-5.8	28.2	-6.9	-14.3	-7.4
PEI	279	177	223	185	215	125	150
%	-22.3	-36.6	26.0	-17.0	16.2	-41.9	20.0
NS	1921	2569	1441	1156	1390	1400	1200
%	-3.9	33.7	-43.9	-19.8	20.2	0.7	-14.3
NB	546	718	919	1158	656	600	650
%	-29.3	31.5	28.0	26.0	-43.4	-8.5	8.3
QUE	23128	22123	19664	16879	15740	15300	17000
%	-5.8	-4.3	-11.1	-14.2	-6.7	-2.8	11.1
ONT	30224	26504	27904	18900	16609	18500	20500
%	-24.1	-12.3	5.3	-32.3	-12.1	11.4	10.8
MAN	450	361	627	551	756	600	700
%	-59.7	-19.8	73.7	-12.1	37.2	-20.6	16.7
SASK	330	223	385	538	556	500	550
%	-36.9	-32.4	72.6	39.7	3.3	-10.1	10.0
ALTA	3418	2714	4448	5111	5021	3850	4150
%	44.4	-20.6	63.9	14.9	-1.8	-23.3	7.8
BC	18242	13540	19149	25020	22817	16150	12900
%	5.6	-25.8	41.4	30.7	-8.8	-29.2	-20.1
CAN	79315	69630	75420	70344	64548	*57700	*58400
%	-11.3	-12.2	8.3	-6.7	-8.2	-10.6	1.2

SOURCE: CMHC.

(F) Forecast.

\* Total does not add due to rounding.



# Housing Starts

## Multiples, by Area and Tenure (units)

		Centres 10,000 Population and Over						Other Areas	All Areas Total
		Rental/Private	Co-op Assisted	Total Rental	Condo	Other*	Total 10,000+		
NFLD	1994	48	12	60	46	604	710	78	788
	1995	100	0	100	82	480	662	13	675
	1996	85	0	85	60	470	615	10	625
PEI	1994	182	3	185	0	0	185	30	215
	1995	100	0	100	0	0	100	25	125
	1996	120	0	120	0	0	120	30	150
NS	1994	711	67	778	0	426	1204	186	1390
	1995	680	0	680	0	550	1230	170	1400
	1996	630	0	630	0	450	1080	120	1200
NB	1994	325	0	325	38	117	480	176	656
	1995	275	0	275	50	0	325	275	600
	1996	300	0	300	50	0	350	300	650
QUE	1994	3973	161	4134	5387	5281	14802	938	15740
	1995	3800	0	3800	5300	5300	14400	900	15300
	1996	4000	0	4000	5900	5800	15700	1300	17000
ONT	1994	1368	3805	5173	3809	7156	16138	471	16609
	1995	1700	5100	6800	5000	5600	17400	1100	18500
	1996	1900	3800	5700	6900	6500	19100	1400	20500
MAN	1994	177	25	202	147	28	377	379	756
	1995	195	0	195	200	30	425	175	600
	1996	220	0	220	250	30	500	200	700
SASK	1994	85	4	89	338	18	445	111	556
	1995	110	40	150	200	55	405	95	500
	1996	110	40	150	255	50	455	95	550
ALTA	1994	220	16	236	3116	1052	4404	617	5021
	1995	350	0	350	1900	900	3150	700	3850
	1996	350	0	350	2400	800	3550	600	4150
BC	1994	1516	331	1847	18417	1252	21516	1301	22817
	1995	1200	350	1550	12600	1000	15150	1000	16150
	1996	1000	350	1350	9850	900	12100	800	12900
CAN	1994	8605	4424	13029	31192	15934	60261	4287	64548
	1995	8510	5490	14000	25332	13915	53247	4453	**57700
	1996	8715	4190	12905	25565	15000	53570	4855	**58400

SOURCE: CMHC.

1994 Actual, 1995-96 Forecast.

\* Includes homeowner and unclassified units.

\*\* Total does not add due to rounding.



## Housing Starts

### Total New House Price Index\* (annual per cent change)

	1990	1991	1992	1993	1994 <sup>(E)</sup>	1995 <sup>(F)</sup>	1996 <sup>(F)</sup>
ST. JOHN'S	3.6	7.2	0.8	0.1	0.4	0.3	0.1
HALIFAX	0.3	-0.2	1.1	3.0	2.8	2.4	1.0
SAINT JOHN	1.4	0.9	0.9	-0.1	0.0	-1.0	0.0
QUÉBEC CITY	3.3	2.8	0.8	-0.3	-0.4	1.0	1.0
MONTRÉAL	2.7	0.6	0.1	0.8	0.5	1.5	1.0
OTTAWA	3.9	-0.4	0.1	-0.6	0.2	0.2	0.3
TORONTO	-3.8	-15.1	-4.4	-2.4	-0.2	0.9	0.6
HAMILTON	2.3	-5.9	-3.6	-2.6	-0.5	1.1	1.2
ST. CATHARINES	7.0	-3.5	-2.4	-3.2	-3.9	3.0	0.8
KITCHENER	2.0	-7.8	-3.0	0.8	-2.5	5.0	5.8
LONDON	5.7	0.5	0.2	-0.1	0.1	0.8	1.0
WINDSOR	4.4	0.0	-0.1	-0.5	0.0	1.3	1.2
SUDBURY- THUNDER BAY	5.6	0.3	-0.5	1.9	1.4	1.6	1.6
WINNIPEG	1.9	-0.2	-0.1	3.5	3.2	3.0	3.5
REGINA	1.8	2.4	4.6	5.5	4.0	3.0	2.0
SASKATOON	0.7	-0.8	0.5	3.4	1.5	2.0	2.0
CALGARY	12.4	-2.7	0.6	3.1	2.0	3.8	2.1
EDMONTON	15.9	2.2	0.9	3.5	0.8	1.0	1.0
VANCOUVER	5.7	-7.2	8.8	7.7	-0.6	-3.6	2.9
VICTORIA	7.0	-1.5	4.9	3.0	-0.7	-4.0	0.5
CANADA	1.5	-6.9	0.0	1.2	0.1	0.4	1.5

SOURCE: Statistics Canada.

(E) Estimate by CMHC.

(F) Forecast by CMHC.

\* Includes both house and land components.



## MLS Activity

### Total Residential Sales (units and annual per cent change)

	1990	1991	1992	1993	1994	1995 <sup>(F)</sup>	1996 <sup>(F)</sup>
NFLD	1998	1892	1829	1867	1873	1825	1850
%	-2.1	-5.3	-3.3	2.1	0.3	-2.6	1.4
PEI	742	764	604	654	599	575	600
%	18.5	3.0	-20.9	8.3	-8.4	-4.0	4.3
NS	6072	5811	7107	7180	7140	7100	7000
%	3.6	-4.3	22.3	1.0	-0.6	-0.6	-1.4
NB	3316	3259	3550	3483	3339	3400	3500
%	-5.0	-1.7	8.9	-1.9	-4.1	1.8	2.9
QUE	28067	28005	31946	31875	33575	31800	34000
%	-8.3	-0.2	14.1	-0.2	5.3	-5.3	6.9
ONT	102792	126143	131380	121071	129957	120000	130000
%	-28.1	22.7	4.2	-7.8	7.3	-7.7	8.3
MAN	9356	9521	11383	10556	10825	10300	10700
%	-9.8	1.8	19.6	-7.3	2.5	-4.8	3.9
SASK	6405	6505	7829	7375	7459	7550	7400
%	-6.5	1.6	20.4	-5.8	1.1	1.2	-2.0
ALTA	33085	34360	38545	37024	32512	31800	33400
%	-8.7	3.9	12.2	-3.9	-12.2	-2.2	5.0
BC	58027	84554	93564	80919	73378	62000	68500
%	-30.6	45.7	10.7	-13.5	-9.3	-15.5	10.5
CAN**	249860	300814	327737	302004	300657	*276400	*297000
%	-22.5	20.4	9.0	-7.9	-0.4	-8.1	7.5

### Average Residential Price (dollars and annual per cent change)

	1990	1991	1992	1993	1994	1995 <sup>(F)</sup>	1996 <sup>(F)</sup>
NFLD	88654	90823	91591	91243	91698	91400	91000
%	6.4	2.4	0.8	-0.4	0.5	-0.3	-0.4
PEI	69284	71034	75570	72424	78753	76000	75000
%	-6.6	2.5	6.4	-4.2	8.7	-3.5	-1.3
NS	84649	86462	89361	88965	91109	93775	96100
%	2.8	2.1	3.4	-0.4	2.4	2.9	2.5
NB	77752	80897	82478	84951	84149	87000	88000
%	2.5	4.0	2.0	3.0	-0.9	3.4	1.1
QUE	100811	102795	102311	102447	102242	102400	103800
%	0.3	2.0	-0.5	0.1	-0.2	0.2	1.4
ONT	175859	173723	162827	157667	161263	159000	162000
%	-4.7	-1.2	-6.3	-3.2	2.3	-1.4	1.9
MAN	79961	80445	80686	81739	83761	85300	87000
%	-3.0	0.6	0.3	1.3	2.5	1.8	2.0
SASK	68963	67697	68406	70698	72738	75000	76850
%	-2.1	-1.8	1.0	3.4	2.9	3.1	2.5
ALTA	108675	111482	113558	117085	117336	120000	123000
%	10.3	2.6	1.9	3.1	0.2	2.3	2.5
BC	157616	168235	189999	211992	228177	217000	219000
%	4.0	6.7	12.9	11.6	7.6	-4.9	0.9
CAN**	143432	149749	150761	153575	158146	*152800	*156200
%	-3.6	4.4	0.7	1.9	3.0	-3.4	2.2

SOURCE: The Canadian Real Estate Association.

(F) Forecast by CMHC.

\* Total does not add due to rounding.

\*\* Excludes Yukon and Northwest Territories.



## Vacancy Rate

### Apartment Structures of Three Units & Over Privately Initiated, by Metropolitan Area (per cent)

	*Number of Units	1994		1995		1996	
		APR	OCT	APR <sup>(F)</sup>	OCT <sup>(F)</sup>	APR <sup>(F)</sup>	OCT <sup>(F)</sup>
CALGARY	49428	6.3	5.1	4.6	4.5	5.0	4.3
CHICOUTIMI- JONQUIÈRE	8220	5.3	6.3	5.2	5.4	4.8	5.1
EDMONTON	65374	9.1	8.9	10.0	8.7	9.4	8.6
HALIFAX	31475	7.2	7.2	7.3	7.7	8.0	8.4
HAMILTON	43110	2.7	2.4	2.3	2.3	2.1	2.0
KITCHENER	26122	4.2	2.8	2.8	2.6	2.6	2.5
LONDON	39814	4.7	4.1	4.0	3.7	3.5	3.4
MONTRÉAL	454772	6.4	6.8	5.6	6.0	5.3	5.5
OSHAWA	11138	4.1	3.4	2.7	2.4	2.2	2.0
OTTAWA	60950	2.5	2.6	2.9	2.3	2.7	2.3
HULL	18356	4.7	6.6	6.1	6.0	5.0	4.5
QUÉBEC CITY	70834	5.7	6.9	5.3	6.3	5.0	5.8
REGINA	12211	4.1	3.2	4.0	3.3	4.0	3.3
ST. CATHARINES- NIAGARA	16663	6.0	5.8	5.0	4.2	3.7	3.5
SAINT JOHN	7933	8.7	8.0	8.9	8.3	8.5	7.8
ST. JOHN'S	4692	10.6	7.1	8.8	6.6	9.0	8.2
SASKATOON	17831	4.0	1.8	3.3	2.0	3.3	2.0
SHERBROOKE	23349	6.2	8.0	6.6	7.8	6.4	7.6
SUDBURY	10694	5.1	4.3	5.1	4.3	5.0	3.8
THUNDER BAY	5318	4.4	4.1	4.5	4.5	4.5	4.3
TORONTO	297970	1.8	1.2	0.9	0.7	0.5	0.4
TROIS-RIVIÈRES	15541	6.3	7.4	7.1	6.9	6.6	6.8
VANCOUVER	108187	1.4	0.8	1.0	0.5	0.9	0.8
VICTORIA	24682	3.0	1.9	2.6	1.8	2.1	1.5
WINDSOR	14657	2.6	1.6	1.3	0.7	0.6	0.9
WINNIPEG	56461	5.4	5.6	5.0	5.2	4.6	4.8
CANADA**	1495782	4.8	4.6	4.1	4.0	3.8	3.8

SOURCE: CMHC.

(F) Forecast.

\* Total number of units in October 1994.

\*\* Weighted average of Metropolitan areas surveyed.



## Labour Markets

### Employment (annual per cent change)

	1990	1991	1992	1993	1994	1995 <sup>(F)</sup>	1996 <sup>(F)</sup>
NFLD	0.0	-2.0	-4.6	-1.1	1.1	0.5	-0.5
PEI	1.9	-3.6	0.0	0.0	3.8	1.1	0.4
NS	1.6	-2.1	-2.7	-1.1	2.8	1.4	1.3
NB	2.5	-1.7	1.0	0.7	0.7	1.7	2.3
QUE	0.8	-2.2	-1.1	0.2	2.4	1.7	2.3
ONT	-0.2	-3.4	-1.2	1.7	1.5	3.2	2.1
MAN	1.4	-2.4	-1.8	1.2	0.4	0.9	1.4
SASK	0.7	-0.2	-1.8	0.0	0.0	0.9	0.5
ALTA	1.4	1.2	-0.5	1.0	2.9	1.9	2.3
BC	2.4	1.4	1.9	2.8	4.2	3.0	2.5
CAN	0.7	-1.8	-0.8	1.2	2.1	2.4	2.1

### Unemployment Rate (per cent)

	1990	1991	1992	1993	1994	1995 <sup>(F)</sup>	1996 <sup>(F)</sup>
NFLD	17.1	18.4	20.2	20.2	20.6	20.6	21.3
PEI	14.9	16.8	17.7	17.7	17.0	16.7	16.4
NS	10.5	12.0	13.1	14.6	13.3	13.1	12.7
NB	12.1	12.7	12.8	12.6	12.5	12.5	10.4
QUE	10.1	11.9	12.8	13.1	12.1	11.8	11.4
ONT	6.3	9.6	10.8	10.6	9.6	8.4	8.1
MAN	7.2	8.8	9.6	9.2	9.1	9.0	8.4
SASK	7.0	7.4	8.2	8.0	7.0	6.5	6.5
ALTA	7.0	8.2	9.5	9.6	8.4	8.2	8.1
BC	8.3	9.9	10.4	9.7	9.3	9.3	9.5
CAN	8.1	10.3	11.3	11.2	10.3	9.7	9.5

SOURCE: Statistics Canada.  
(F) Forecast by CMHC.



## Demographics

### Total Net Migration\* (number of persons)

	1990	1991	1992	1993	1994 <sup>(E)</sup>	1995 <sup>(F)</sup>	1996 <sup>(F)</sup>
NFLD	-835	-259	-717	-3194	-5500	-5900	-6500
PEI	-134	-347	598	641	1185	1580	525
NS	612	1720	2564	1431	-500	-800	-350
NB	870	-21	-591	47	-760	-175	-115
QUE	18583	17054	21916	26272	4415	13500	17500
ONT	75708	57968	91275	54334	81000	81000	84000
MAN	-3903	-3334	-2272	-2216	-3200	-2800	-2000
SASK	-14328	-7335	-4258	-1968	-1300	-3300	-4300
ALTA	23017	14226	13692	3163	-4000	-4000	4000
BC	64035	60762	75956	72080	72000	63000	65000
CAN**	163625	140434	198163	150590	143340	142105	157760

SOURCE: Statistics Canada.

(E) Estimate by CMHC.

(F) Forecast by CMHC.

\* Sum of the interprovincial migration, international migration and non-permanent residents.

\*\* Excludes Yukon and Northwest Territories.



## Major Housing Indicators

Seasonally adjusted at annual rates  
(levels and quarterly per cent change)

	93:Q2	93:Q3	93:Q4	94:Q1	94:Q2	94:Q3	94:Q4
<b>New housing</b>							
Building permits, units, thousands	155.8	164.3	161.6	164.6	173.1	149.1	..
%	2.3	5.4	-1.6	1.8	5.2	-13.9	..
Housing starts, total, thousands	151.4	158.1	162.2	153.9	165.8	155.0	141.7
%	1.1	4.4	2.6	-5.1	7.7	-6.5	-8.6
Housing starts, singles, thousands	87.2	89.3	84.4	74.6	102.7	96.4	75.7
%	15.8	2.4	-5.5	-11.6	37.7	-6.1	-21.5
Housing starts, multiples, thousands	64.2	68.8	77.8	79.3	63.1	58.6	66.0
%	-13.7	7.2	13.1	1.9	-20.4	-7.1	12.6
Housing completions, total, thousands	160.4	173.5	156.7	145.6	163.9	176.1	162.8
%	2.4	8.2	-9.7	-7.1	12.5	7.4	-7.5
New house price index, 1986=100	136.0	136.2	136.4	136.4	136.0	135.9	..
%	0.5	0.2	0.1	0.0	-0.3	-0.1	..
<b>Existing housing</b>							
MLS resales, units, thousands	312.6	315.5	317.4	332.4	318.3	270.5	277.6
%	19.0	0.9	0.6	4.7	-4.2	-15.0	2.6
MLS average resale price, \$C thousands	153.8	154.1	153.9	157.5	157.2	158.3	159.3
%	0.9	0.2	-0.1	2.3	-0.2	0.7	0.6
<b>Mortgage market</b>							
Mortgages outstanding, \$C billions	300.5	305.3	310.1	315.0	321.9	327.8	..
%	1.4	1.6	1.6	1.6	2.2	1.8	..
Mortgage approvals, \$C billions	71.5	73.3	69.4	83.4	74.0	52.0	..
%	-1.2	2.5	-5.3	20.2	-11.3	-29.7	..
1-year mortgage rate, per cent*	7.25	6.50	6.33	6.17	8.28	8.38	8.50
5-year mortgage rate, per cent*	8.95	8.75	8.08	7.82	9.92	10.30	10.10
<b>Residential investment**</b>							
Total, \$1986 billions	31.8	31.2	31.5	31.6	32.9	31.7	..
%	1.9	-1.8	0.8	0.4	4.0	-3.5	..
New, \$1986 billions	14.8	14.5	14.3	14.6	15.8	15.7	..
%	-2.2	-2.3	-1.4	2.4	8.3	-1.0	..
Alterations, \$1986 billions	10.3	10.4	10.6	10.1	10.4	10.6	..
%	0.2	0.9	1.2	-4.4	3.5	1.3	..
Transfer costs, \$1986 billions	6.7	6.3	6.7	6.9	6.6	5.5	..
%	15.7	-4.9	4.9	3.8	-4.5	-16.7	..
Deflator, 1986=100	136.3	137.1	137.6	140.7	141.0	140.8	..
%	1.3	0.6	0.4	2.3	0.2	-0.1	..

SOURCES: CMHC, Statistics Canada, Bank of Canada, The Canadian Real Estate Association.

.. Figures not available.

\* All indicators are seasonally adjusted except 1- and 5-year mortgage rates.

\*\* Residential investment includes outlays for new permanent housing; conversion costs; the cost of alterations and improvements; supplementary costs; and transfer costs.



























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**NATIONAL  
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OUTLOOK  
SECOND  
QUARTER  
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**Canada**



**NATIONAL HOUSING OUTLOOK  
SECOND QUARTER, 1995**

**MARKET ANALYSIS CENTRE  
CANADA MORTGAGE AND HOUSING CORPORATION**

Forecast prepared May, 1995



For further national information call the Market Analysis Centre:

Anh Trinh	– Director	(613) 748-2577
Gilles Proulx	– Chief Economist	(613) 748-2574
Marc Pellerin	– Economist, Capital Markets	(613) 748-2506
Michel Laurence	– Economist, Sectoral Analysis	(613) 748-2737
Leonard FitzPatrick	– Economist, Modelling and Forecasting	(613) 748-2552
Greg Goy	– Manager, Local Markets Analysis	(613) 748-2582

For further provincial information please contact:

Mac Woodman	(Newfoundland)	(709) 772-4034
Brian Martin	(Newfoundland)	(709) 772-2096
Ralph Freeze	(Prince Edward Island)	(902) 566-7467
André Moore	(Nova Scotia)	(902) 426-8465
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Bruce Read	(New Brunswick)	(506) 452-3818
Todd Selby	(New Brunswick)	(506) 452-3381
Mario Vachon	(Quebec)	(514) 283-4488
Alex Medow	(Ontario)	(416) 495-2000
Richard Goatcher	(Manitoba)	(204) 983-5648
Terry Kozak	(Manitoba)	(204) 983-8503
Paul Caton	(Saskatchewan)	(306) 975-4897
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700 Montreal Road  
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K1A 0P7  
Tel. No: (613) 748-2969  
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# NATIONAL HOUSING OUTLOOK

## A slow start in 1995

At the beginning of 1995, both new and existing housing markets approached the low levels of the early 1990s.

Housing starts fell to a seasonally adjusted annual rate (SAAR) of 127,400 units during the first quarter of the year — 10 per cent lower than in the closing quarter of 1994. Construction levels were lower for both single-detached and multiple dwellings, but the decline was concentrated in singles which tends to better reflect underlying trends in demand. In fact, successively lower construction levels were reported throughout the period and, with only a marginal advance in April, housing construction is expected to remain slow in the first half of 1995.

Most regions shared in the national downward trend. British Columbia, where activity has been at record levels recently, accounted for nearly half of the

decline. Newfoundland, P.E.I., New Brunswick, Manitoba and Saskatchewan reported significant declines from the fourth quarter of 1994. By contrast, Ontario, Quebec, and Alberta experienced a limited decline, while in Nova Scotia construction went up.

Sales of existing homes through the MLS\* system fell to an estimated 210,800 units SAAR in the first quarter of 1995. Compared against the SAAR level of 279,900 units in the fourth quarter of 1994, this means that resale activity has fallen off by close to 25 per cent on a quarter over quarter basis. Furthermore, the average transaction price at \$151,100 was down 5.2 per cent from previous quarter. Although much of the change is due to the fact that sales declined more in high price markets, there is a general trend toward price easing or declines due to weak demand.

## Economic growth continuing and mortgage rates easing

Information on economic trends at the beginning of 1995 makes it clear that economic activity is slowing down to more sustainable levels than those of 1994. As usual, housing and other interest-sensitive sectors are those areas which benefit when interest rates fall and suffer when rates rise. Consequently, growth in the economy will come from increases in exports and business investment. However, advances will be moderated by the subdued nature of consumers and the announced retrenchment of the public sector.

The economy is expected to grow by 3.5-4 per cent this year and by around 3 per cent in 1996. By comparison it expanded by 4.5 per cent in 1994. This pattern of growth will be reflected in labour market developments: despite levelling off in the past five months, total employment is still expected to grow by 2 per cent this year, with a similar advance in 1996. This moderate, but still positive growth, should contribute to a recovery in consumer confidence.

## Housing starts reach 128,500 in 1995

In line with the continued economic growth and the recent strengthening of the Canadian dollar, mortgage interest rates began to ease in February. The one-year mortgage rate, down from 10 per cent in February to 8.50 per cent in mid-May, is expected to range between 8 and 9 per cent in 1996. The more affordable interest rate levels should contribute to a recovery of the resale market by mid-1995 and of new construction shortly afterward.

## Housing outlook subdued

Although the housing markets forecast in the previous issue of this National Housing Outlook proved one of the most accurate of the available forecasts, the

### Housing markets test 1990s lows in early 1995

#### Housing Starts and Residential MLS Sales — Canada

(thousands of units SAAR)



SOURCES: CMHC; The Canadian Real Estate Association.

\* Multiple Listing Service (MLS) is a registered certification mark owned by the Canadian Real Estate Association.



## Why the current low levels of sales and construction?

Several factors account for the disappointing market developments at the beginning of the year:

**Economic conditions and interest rates:** Less robust economic conditions combined with the upward trend in mortgage rates to the end of January, stemmed demand. Rates have since eased and this will help improve demand for housing later this year.

**Consumer concern:** The Conference Board of Canada's Index of Consumer Attitudes fell during the first quarter. In spite of an improvement in their current financial situation, consumers, showed concerns about job prospects.

**Population growth:** The adult-age population grew more slowly in 1994.

markets have deteriorated more than anticipated. As a result, this update features less construction activity both for this year and for 1996.

The significantly lower demand of the early part of 1995 has pushed up the available supply: the inventory of unoccupied new units has increased by 1,000 units in the first quarter, and there are more houses available for sale on the existing market. On a positive note, the overall rental apartment vacancy rate fell to 4.2 per cent in April.

Over the forecast period, while there will be household growth, the overall rate will not justify construction levels much different from those we have experienced over the last several years.

In 1995, new home construction is forecast to drop to 128,500 units 17 per cent less than during 1994 with a partial recovery to 142,500 units in 1996. The 1996 recovery, the result of tightening inventories and the positive impact of lower mortgage rates, will bring construction more in line with the underlying demographic requirements.

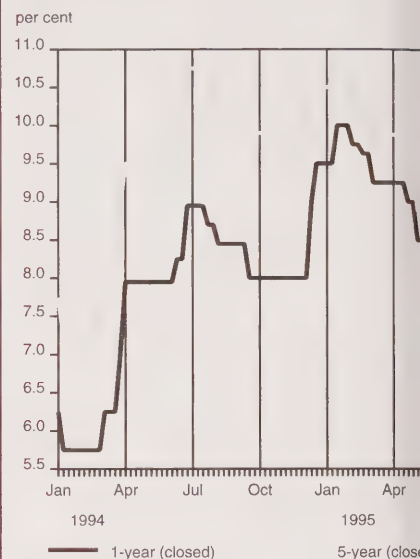
Single-detached starts are expected to drop to 75,800 units this year with a nearly complete recovery to 86,400 in 1996. Multiple starts will fall to 52,700 this year followed by a moderate rebound to 56,100 units in 1996. Multiple unit construction will recover more slowly because a continued fall in British Columbia will partly offset the recovery in most other provinces.

Sales on the existing market have proved more fragile at the beginning of the year but should lead the gradual recovery of housing markets by mid-year. Total sales are expected to bottom out at 264,100 units this year. A rebound of nearly 10 per cent to 289,500 units is expected next year. The average price should fall to \$154,300 this year, down from \$158,916 in 1994 due to reduced sales in the relatively high price markets of British Columbia and Ontario and price easing in other provinces. For 1996, the average price is expected to inch up to \$156,100.

Overall, Ontario, among the country's larger markets, should perform better with total starts rebounding 17 per cent in 1996 after dropping 10 per cent this year. Markets in Quebec, although they are poised for a rebound next year, will not recover all of the ground lost this year. Atlantic region markets will stabilize in 1996, while the British Columbia market will see a moderate recovery in light of

## Mortgage rates in retreat since February

*Mortgage Rates at Major Financial Institutions*

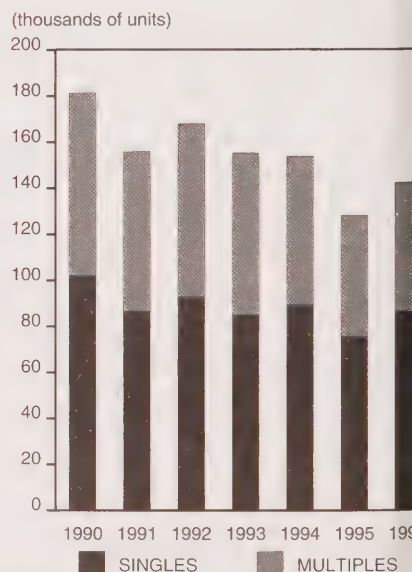


SOURCE: Bank of Canada.

the sharp drop expected this year. Markets in the Prairie provinces, after contracting this year, are expected to show significant advances next year. ■

## Home building to recover moderately in 1996

*Housing Starts by Type – Canada*



SOURCE: CMHC.



# Slower growth in adult population drives housing starts

Short-term developments in housing markets tend to reflect changes in inventory or available supply, the course of interest rates, and changes to current economic indicators. These factors, which can be very volatile, are the focus of most reviews of housing market conditions.

Population trends, by contrast, tend to change gradually and, therefore, to affect long-term developments. However, they may also shed light on year-to-year movements in construction levels.

The chart below shows how changes in the adult population (people 20 years and over) relate to housing starts. Of

course, population numbers are not the only factor affecting the level of housing starts over longer periods. Also playing a role are changes in the age mix, the starting levels of inventories and, more important, the propensity of this population to form households.

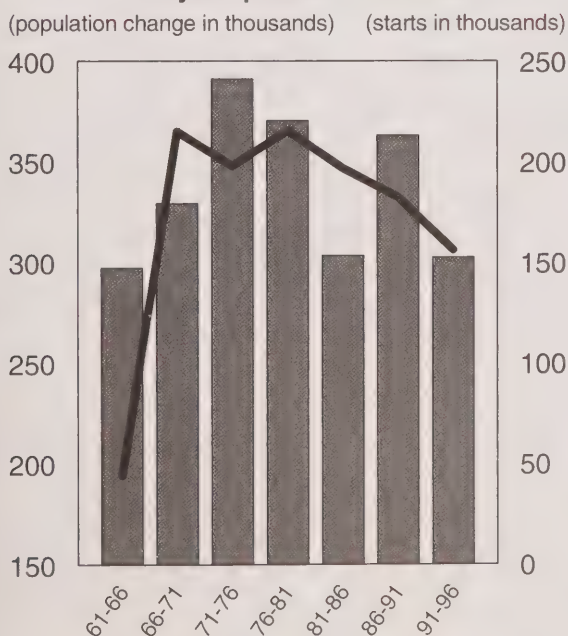
This process of household formation depends on a wide range of complex economic and social factors. On the economic side, these include interest rates, the level of job creation, consumer confidence, house prices, and consumer debt loads. Social factors include divorce rates and the willingness of children to leave the family home.

As indicated in the charts below, the pace of growth of Canada's adult population has slowed down in the last 15 years. In line with this, the level of housing starts has decreased, although not in a straight line.

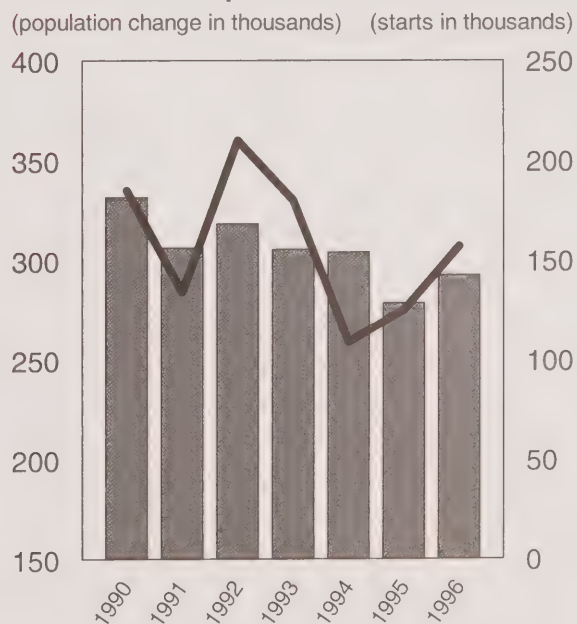
A review of the first half of the 1990s reveals a similar trend. The adult population is increasing less rapidly between 1994 and 1996 than in the early 1990s. This reflects both lower immigration levels and the fact that the population group moving into adulthood is part of the "baby bust" generation. As a result of the slowed growth, the underlying demand for housing base is lower than in the early 1990s.

## Adult-age population growth and housing starts

Five-year profile 1961-1996



Annual profile 1990-1996



Pop. 20+ —

Starts ■

Source: Statistics Canada; 1995-1996 CMHC forecast.



# PROVINCIAL HOUSING OUTLOOKS

## Newfoundland

### *Housing demand remains at low levels*

Low consumer confidence, largely due to heightened concerns over job security, maintained housing demand at low levels during the early part of 1995. When combined with one of the harshest winters in many years, residential construction activity in urban areas of the province declined 23.5 per cent. Steadily rising inventories of new homes coupled with an oversupply in the resale market contributed to a 46 per cent drop in single-detached starts in urban centres. However, strong gains in rural areas supported a marginal increase in province wide starts during the first quarter. Given the outlook for higher levels of outmigration, strength in rural areas will not likely be maintained during the remainder of 1995. Although the residential construction industry will benefit from an expected easing in interest rates, underlying weaknesses in the economy will lower starts to 2,050 units in 1995.

Demand for existing homes was hardest hit by the uncertain economic climate as MLS\* sales plummeted 27.9 per cent during the first three months of 1995. An expected improvement in sales, during the second half of the year, will moderate overall declines. Total provincial MLS sales are forecast to fall to 1,750 units this year. Oversupply and weak demand will force down average MLS house prices by slightly more than one per cent.

Further reductions in provincial economic output and high levels of outmigration, in 1996, will place additional downward pres-

sure on housing demand. At 1,700 homes, MLS sales will fall to their lowest level since 1984. Housing starts are forecast to decline to 1,950 units in 1996, the worst performance in 30 years.

## Prince Edward Island

### *Economic growth bypasses housing sector*

The P.E.I. economy looks good for 1995, according to numbers which represent provincial growth. Although, as in many cases, the numbers alone can be deceiving. Construction of the bridge to New Brunswick is a large enough economic activity to distort provincial indicators. However, the total number of UI claimants, and low growth in department store sales are not as encouraging. For example, in spite of a good Christmas season, P.E.I. recorded a growth in department store sales of less than 1 per cent.

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## *Lower mortgage rates in second half should bolster housing activity*

---

On the housing front, the first quarter forecasts remain unchanged. As a result of a runup in last year's building activity, any benefits to housing from the bridge construction, have already occurred. Home sales and building of new apartments in the Summerside area are expected to decline

considerably this year. Across the province, 1995 is expected to be a slow year for sales and construction, with slight improvements in 1996. Rural areas of the province will experience growth in single-detached home construction. Unfortunately, it will not be enough to compensate for declines in urban centres.

## Nova Scotia

### *Market shines against national trends*

The housing market in Nova Scotia is enjoying relative stability again in 1995. On the basis of a solid first quarter, housing starts are on track to reach the 1995 forecast of 4,500 units. Mild weather this winter allowed builders to begin constructing single-detached houses early. Furthermore, construction activity remains buoyed by an unemployment rate that continues to fall.

Although, mortgage rates are higher than in early 1994, they are still well below historical levels. Rates are forecast to ease in the latter half of 1995, and to remain lower in 1996, further bolstering activity in the housing market.

New house prices have increased moderately, but most of the increases in the price of materials are not being passed on to home buyers.

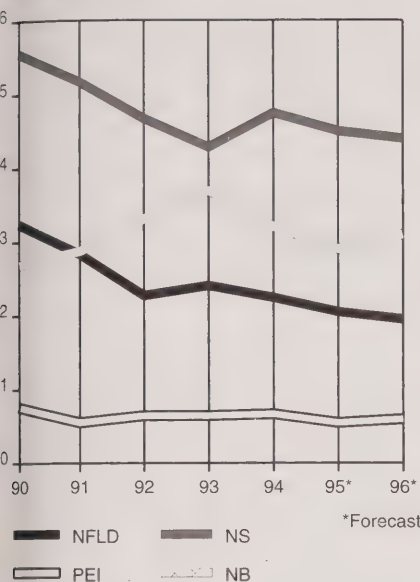
The resale market will continue to post solid levels of activity, although slightly below those of last year. Transfers into and out of the province, particularly those associated with the military, will support sales of existing homes.

Two factors will act to slightly constrain the housing market: the uncertainty surrounding public



## Housing Starts Atlantic Region

(thousands of units)



SOURCE: CMHC.

sector restructuring, and net out-migration. However, the rental market in Metro Halifax may benefit from the centralizing trend as households migrate in search of jobs.

Overall, the housing market in 1995 and 1996 will be similar to last year's, but with slightly lower volumes. The housing market in this province is stable and is not affected by large upward and downward swings as are the larger centres of other provinces.

## New Brunswick

### Downturn in resale and construction markets

Mortgage rate declines and healthy economic growth during the first quarter of 1995 were not enough to convince consumers to enter the housing market. Consumer confidence was guarded as many individuals watched the budget season in earnest. The result was a slower than expected

first quarter which will make recovery difficult as the year progresses. Consequently, the forecast upward trend for New Brunswick's housing markets has been adjusted: both the construction and resale markets will be below 1994 levels.

Activity on the resale market will do well to reach 3,150 units in 1995. The first-time buyer as the dominant force in the housing market will begin to decline and will be replaced by the move-down buyer. House prices will post some growth this year as the move-down buyer enters the market purchasing homes priced higher than first-time homes. The average price of a home on the resale market will grow by 3.4 per cent to \$87,000 due to this shift in buyers. Several announcements during the quarter of new jobs for the province will not translate into increased housing activity until 1996.

## Quebec

### Confidence slows housing production in 1995

Anemic best describes the Quebec housing market in 1995. Not until the end of 1995 will there be some encouraging signs from the residential market pointing to better days in 1996. A total of 28,600 housing starts will be registered in 1995 (-16 per cent), whereas in 1996, there will be a total of 31,500 (+10 per cent). Moreover, the scenario is basically the same for the resale market, with a 6 per cent decline in MLS sales in 1995 (31,700 sales) and a 4 per cent increase in 1996 (33,000).

Although the Quebec economy is chalking up good results in terms of economic growth as reflected in a 3.0 per cent increase

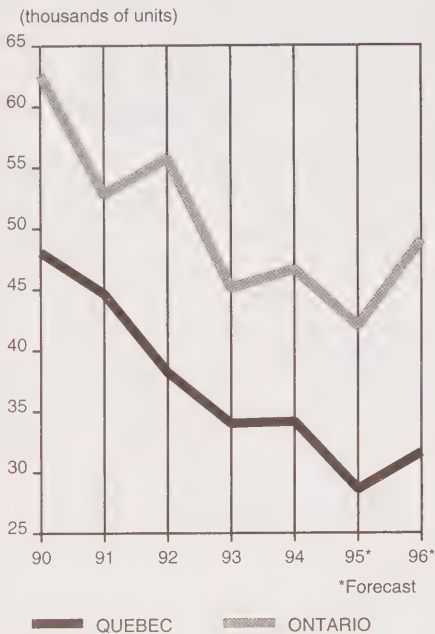
in the GDP, the housing market is expected to remain impervious to this upward trend in 1995. Household confidence in the economy is at a low level. This means reduced demand in early 1995 and, in turn, a sharp reduction in the number of new units coming on stream. In spite of this, consumer confidence is expected to rebound by year end and be sustained in 1996 due to lower interest rates and an expanding labour market. This will lead to increased consumer spending on housing and other durable goods.

Interest rate hikes have directly affected first-time buyers, who represented over half of the players on the new housing market in Quebec in 1994. As a result, they will not be nearly as active in 1995. Both the new and the existing markets will feel the resulting decrease in first-time buyer demand. Thus, multiple starts (semi-detached and row houses), condominiums and new rental houses will decline by 18 per cent in 1995. Due to the absence of the first-time contingent on the market, homeowners who had hoped to move up will not be able to do so. Consequently, the move-up market will register a 15 per cent decrease in detached house starts, for a total of 15,700 units.

In spite of a reduced residential construction pace in 1995, some products will nevertheless fare better than others. New households, shying away from the idea of purchasing new houses, will opt for existing rental units. Consequently, the surplus stock of rental units will be reduced, bringing the vacancy rate down from 6.2 per cent in April 1994 to 5.7 per cent in April 1995. In addition, the decline in housing starts this year will allow builders to make a dent in the 5,200 unabsorbed units on the Quebec market.



## Housing Starts Quebec and Ontario



SOURCE: CMHC.

## Ontario

### *Housing recovery on hold*

High mortgage rates and job losses spooked Ontario's home buyers in the first quarter of this year. High interest rates and federal and provincial belt-tightening halted employment growth in eight of ten major metropolitan areas and meant a net job loss for the province between December 1994 and March 1995. Toronto, however, bucked the trend with eight consecutive months of job gains.

By March, sales of existing homes had tumbled to their lowest level in over a decade; this will put annual sales at a five-year low. In the second half of this year, though, lower interest rates and economic growth are predicted to boost sales and lead to a rebound in 1996.

Ontario's average home price will dip this year, but a shrinking supply of new listings in most major markets will limit the size of the decline. Broader-based job growth will bring home prices up to the general rate of inflation next year.

First quarter home starts slipped to their lowest level in almost two years, mainly due to a plunge in rental starts. Starts of single-detached and multiple homes with freehold land ownership moved moderately lower. By contrast, condominium construction picked up as a result of lower standing inventories and pre-sales made during the period of lower mortgage rates last year. The weak first quarter in sales of existing homes signals low single starts for up to another six months.

## *First-time buyers continue to represent growth segment for builders*

Housing construction will pick up in 1996. Single starts are expected to grow following recovery of the resale market in the second half of 1995. Multiple-family home starts, which hit a ten-year low last year, will inch up this year and next. Falling vacancy rates will present construction opportunities in the multiples rental market. The Jobs Ontario Program should also nudge up rental starts.

At this stage of the housing cycle, first-time buyers still represent the greatest opportunities to builders in the ownership market. As mortgage rates edge down, more first-time buyers will consider affordable new homes.

## Manitoba

### *Downturn continues in first quarter*

Housing markets were generally in retreat during the first quarter despite an improving labour market and an expanding economy. In Winnipeg, news of the relocation of the Air Command Headquarters and the loss of hundreds of well-paying federal jobs added to consumer unease. Retrenchment in the public sector will drag down growth both this year and next. In addition, the end of the Crow Rate transportation subsidy will create uncertainty in a rural economy just starting to improve.

On the plus side, spending on infrastructure will boost the recovery; Manitoba small businesses are displaying a marked upturn in business confidence, with a clear expansion in hiring underway; and job creation continues in major areas such as telecommunications and pharmaceuticals.

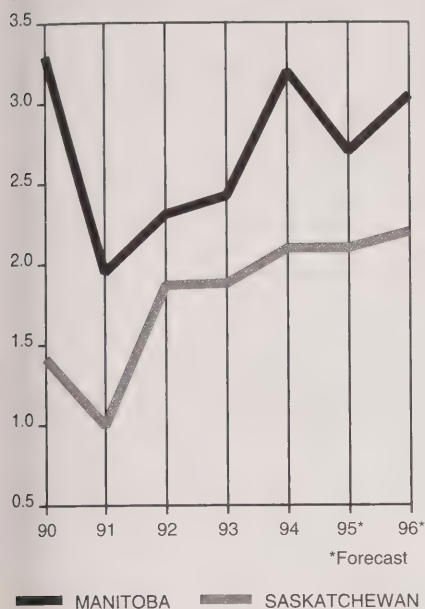
Resale housing plunged by 21 per cent in the first three months of the year. Buyers gained the upper hand in Winnipeg, sending average prices downward. Resales will weaken this year, with sales dropping by 6 per cent and price growth nominal at best.

New construction in the province's cities also slumped, and little improvement is expected in the short-term, considering the weak resale markets and an overhang of unsold new units in Winnipeg. In 1995, housing starts will decline



## Housing Starts Manitoba and Saskatchewan

(thousands of units)



SOURCE: CMHC.

to 2,700 units as an improving job market fails to overcome continued consumer pessimism.

In 1996, new housing should rebound as lower mortgages rates and steady economic growth help to boost demand. Resales will also see better numbers, with average prices reaching \$86,500 under more balanced market conditions.

## Saskatchewan

### *Economic rebound to boost housing industry*

Saskatchewan continued to ride high on a wave of positive economic news in the first quarter. Natural resource activity shows promise with the announcement of new mines opening in the north. Both potash and uranium mining are enjoying healthy market conditions. A new oil seed processing plant and retail expansions were announced in Saskatoon and area,

while Regina has been chosen as the base for a new CIBC call centre. The impact of these initiatives may not be felt directly for some months but the prospect of new jobs will boost consumer confidence.

In urban areas, mild weather in January and February contributed to a strong first quarter of new single-family housing construction. However, this activity was not sufficient to counterbalance the drop in rural housing construction, we expect rural activity to respond to economic improvements later in 1995. Existing housing sales are on track but a scarcity of listings in most centres is restricting sales volumes. The average sale price of homes in the most popular Regina and Saskatoon neighbourhoods is up strongly.

The April 1995 survey of rental vacancy rates shows rates higher than those of last October but lower than those seen in April 1994. Vacancy rates generally increase in the spring when tenants seek other rental housing or homeownership.

## Alberta

### *Malaise grips Alberta ownership markets — migration remains depressed*

Alberta housing markets turned in a remarkably soft first quarter. The decline was led by the resale market. MLS sales dropped 30 per cent from the first quarter of 1994. This figure is slightly exaggerated by the fact that the first quarter was the only strong quarter for sales last year. Nevertheless, the 3 per cent decline in the province-wide average price suggests that the resale market is genuinely weak.

The softness in the resale market contributed to a 21 per cent decline in housing starts. Starts were further undermined by high levels of complete and unoccupied new homes in the major centres, specifically single-detached units in both Calgary and Edmonton, as well as multi-family units in Edmonton.

## *Alberta looking for improvements in migration to stimulate housing*

Despite several quarters of strong job creation and falling unemployment, Alberta has failed to attract significant numbers of new migrants. Indeed, the most recent figures from Statistics Canada indicate that migration from other provinces was negative for eight of the last nine quarters, and that the province suffered a net negative migration flow for 1994 as a whole. A revival of migration is crucial to improved resale performance, which in turn is a prerequisite to a recovery in construction. Such an improvement is not expected in 1995. This is reflected in the revised forecast.

## British Columbia

### *Sales recovery in the offing*

Most of the bad news affecting sales now appears to be behind us. Mortgage rates have dropped since February and a further decline is expected. This, along with



some easing in house prices, will considerably improve affordability, paving the way for more first-time buyers to enter the market. This in turn will stimulate increased sales by existing homeowners.

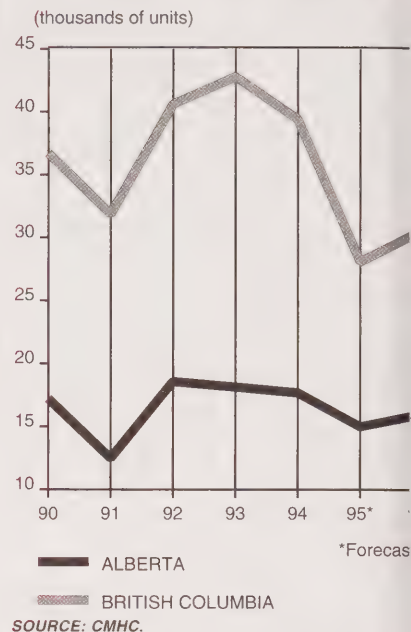
Higher sales will be a welcome relief for an industry that has seen sales depressed for more than a year and listings hit a record high. The apartment condominium sector was the hardest hit by the large drop in first-time buyers.

At present, however, housing construction is still declining in the face of rising unsold inventory. The ground oriented housing sectors will see an upturn in construction later this year as these sectors have been adjusting to the lowered demand for several

months. Conversely, the apartment condominium sector, where the supply adjustment is more recent, will take much longer to recover.

Housing demand in B.C. is on a firm foundation, with the economy creating jobs, and large numbers of people moving to the province. Demand is nonetheless very susceptible to rising mortgage rates. Together with high prices, they push affordability over the edge, while lower mortgage rates release postponed demand. ■

**Housing Starts  
Alberta and British Columbia**



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## Housing Starts

### Total (units and annual per cent change)

	1990	1991	1992	1993	1994	1995 <sup>(F)</sup>	1996 <sup>(F)</sup>
NFLD	3245	2836	2271	2405	2243	2050	1950
%	-8.2	-12.6	-19.9	5.9	-6.7	-8.6	-4.9
PEI	762	553	644	645	669	550	600
%	-6.5	-27.4	16.5	0.2	3.7	-17.8	9.1
NS	5560	5173	4673	4282	4748	4500	4400
%	3.8	-7.0	-9.7	-8.4	10.9	-5.2	-2.2
NB	2683	2872	3310	3693	3203	2900	3100
%	-27.1	7.0	15.3	11.6	-13.3	-9.5	6.9
QUE	48070	44654	38228	34015	34154	28600	31600
%	-2.0	-7.1	-14.4	-11.0	0.4	-16.3	10.5
ONT	62649	52794	55772	45140	46645	42000	49000
%	-32.9	-15.7	5.6	-19.1	3.3	-10.0	16.7
MAN	3297	1950	2310	2425	3197	2700	3050
%	-19.3	-40.9	18.5	5.0	31.8	-15.5	13.0
SASK	1417	998	1869	1880	2098	2100	2200
%	-25.7	-29.6	87.3	0.6	11.6	0.1	4.8
ALTA	17227	12492	18573	18151	17692	15000	16000
%	17.1	-27.5	48.7	-2.3	-2.5	-15.2	6.7
BC	36720	31875	40621	42807	39408	28100	30600
%	-5.6	-13.2	27.4	5.4	-7.9	-28.7	8.9
CAN	181630	156197	168271	155443	154057	*128500	*142500
%	-15.7	-14.0	7.7	-7.6	-0.9	-16.6	10.9

SOURCE: CMHC.

(F) Forecast.

\* Total does not add due to rounding.



## Housing Starts

### Singles (units and annual per cent change)

	1990	1991	1992	1993	1994	1995 <sup>(F)</sup>	1996 <sup>(F)</sup>
NFLD	2468	2135	1611	1559	1455	1375	1325
%	-15.8	-13.5	-24.5	-3.2	-6.7	-5.5	-3.6
PEI	483	376	421	460	454	425	450
%	5.9	-22.2	12.0	9.3	-1.3	-6.4	5.9
NS	3639	2604	3232	3126	3358	3100	3200
%	8.3	-28.4	24.1	-3.3	7.4	-7.7	3.2
NB	2137	2154	2391	2535	2547	2300	2400
%	-26.5	0.8	11.0	6.0	0.5	-9.7	4.3
QUE	24942	22531	18564	17136	18414	15700	16900
%	1.8	-9.7	-17.6	-7.7	7.5	-14.7	7.6
ONT	32425	26290	27868	26240	30036	25000	30000
%	-39.4	-18.9	6.0	-5.8	14.5	-16.8	20.0
MAN	2847	1589	1683	1874	2441	2150	2400
%	-4.0	-44.2	5.9	11.3	30.3	-11.9	11.6
SASK	1087	775	1484	1342	1542	1600	1650
%	-21.4	-28.7	91.5	-9.6	14.9	3.8	3.1
ALTA	13809	9778	14125	13040	12671	11150	11900
%	11.9	-29.2	44.5	-7.7	-2.8	-12.0	6.7
BC	18478	18335	21472	17787	16591	13000	16200
%	-14.5	-0.8	17.1	-17.2	-6.7	-21.6	24.6
CAN	102315	86567	92851	85099	89509	*75800	*86400
%	-18.8	-15.4	7.3	-8.3	5.2	-15.3	14.0

### Multiples (units and annual per cent change)

	1990	1991	1992	1993	1994	1995 <sup>(F)</sup>	1996 <sup>(F)</sup>
NFLD	777	701	660	846	788	675	625
%	28.6	-9.8	-5.8	28.2	-6.9	-14.3	-7.4
PEI	279	177	223	185	215	125	150
%	-22.3	-36.6	26.0	-17.0	16.2	-41.9	20.0
NS	1921	2569	1441	1156	1390	1400	1200
%	-3.9	33.7	-43.9	-19.8	20.2	0.7	-14.3
NB	546	718	919	1158	656	600	700
%	-29.3	31.5	28.0	26.0	-43.4	-8.5	16.7
QUE	23128	22123	19664	16879	15740	12900	14700
%	-5.8	-4.3	-11.1	-14.2	-6.7	-18.0	14.0
ONT	30224	26504	27904	18900	16609	17000	19000
%	-24.1	-12.3	5.3	-32.3	-12.1	2.4	11.8
MAN	450	361	627	551	756	550	650
%	-59.7	-19.8	73.7	-12.1	37.2	-27.2	18.2
SASK	330	223	385	538	556	500	550
%	-36.9	-32.4	72.6	39.7	3.3	-10.1	10.0
ALTA	3418	2714	4448	5111	5021	3850	4100
%	44.4	-20.6	63.9	14.9	-1.8	-23.3	6.5
BC	18242	13540	19149	25020	22817	15100	14400
%	5.6	-25.8	41.4	30.7	-8.8	-33.8	-4.6
CAN	79315	69630	75420	70344	64548	*52700	*56100
%	-11.3	-12.2	8.3	-6.7	-8.2	-18.4	6.5

SOURCE: CMHC.

(F) Forecast.

\* Total does not add due to rounding.



## MLS Activity

### Total Residential Sales (units and annual per cent change)

	1990	1991	1992	1993	1994	1995 <sup>(F)</sup>	1996 <sup>(F)</sup>
NFLD	1998	1892	1829	1867	1873	1750	1700
%	-2.1	-5.3	-3.3	2.1	0.3	-6.6	-2.9
PEI	742	764	604	654	599	575	600
%	18.5	3.0	-20.9	8.3	-8.4	-4.0	4.3
NS	6072	5811	6958	7180	7140	6900	6800
%	3.6	-4.3	19.7	3.2	-0.6	-3.4	-1.4
NB	3316	3259	3550	3483	3339	3150	3400
%	-5.0	-1.7	8.9	-1.9	-4.1	-5.7	7.9
QUE	28067	28005	31946	31875	33575	31700	33000
%	-8.3	-0.2	14.1	-0.2	5.3	-5.6	4.1
ONT	102792	126143	131380	121558	130099	114000	125000
%	-28.1	22.7	4.2	-7.5	7.0	-12.4	9.6
MAN	9356	9521	11383	10556	10825	10150	10550
%	-9.8	1.8	19.6	-7.3	2.5	-6.2	3.9
SASK	6405	6505	7829	7375	7459	7550	7400
%	-6.5	1.6	20.4	-5.8	1.1	1.2	-2.0
ALTA	33085	34360	38545	37024	32512	31000	33000
%	-8.7	3.9	12.2	-3.9	-12.2	-4.7	6.5
BC	58027	84554	93564	80919	75270	57300	68000
%	-30.6	45.7	10.7	-13.5	-7.0	-23.9	18.7
CAN**	249860	300814	327588	302491	302691	*264100	*289500
%	-22.5	20.4	8.9	-7.7	0.1	-12.7	9.6

### Average Residential Price (dollars and annual per cent change)

	1990	1991	1992	1993	1994	1995 <sup>(F)</sup>	1996 <sup>(F)</sup>
NFLD	88654	90822	91590	91243	91697	90500	90000
%	6.4	2.4	0.8	-0.4	0.5	-1.3	-0.6
PEI	69283	71033	75570	72422	78753	76000	75000
%	-6.6	2.5	6.4	-4.2	8.7	-3.5	-1.3
NS	84650	86462	87684	88965	91109	93775	96120
%	2.8	2.1	1.4	1.5	2.4	2.9	2.5
NB	77752	80897	82478	84951	84149	87000	88500
%	2.5	4.0	2.0	3.0	-0.9	3.4	1.7
QUE	100811	102795	102311	102447	102242	102100	103200
%	0.3	2.0	-0.5	0.1	-0.2	-0.1	1.1
ONT	175859	173723	162827	157671	161260	158000	162000
%	-4.7	-1.2	-6.3	-3.2	2.3	-2.0	2.5
MAN	79961	80445	80686	81739	83761	85000	86500
%	-3.0	0.6	0.3	1.3	2.5	1.5	1.8
SASK	68963	67697	68406	70698	72738	75008	76853
%	-2.1	-1.8	1.0	3.4	2.9	3.1	2.5
ALTA	108675	111482	113558	117085	117336	116000	117000
%	10.3	2.6	1.9	3.1	0.2	-1.1	0.9
BC	157616	168235	189999	211992	229514	233100	221000
%	4.0	6.7	12.9	11.6	8.3	1.6	-5.2
CAN**	143432	149749	150753	153583	158916	*154300	*156100
%	-3.6	4.4	0.7	1.9	3.5	-2.9	1.2

SOURCE: The Canadian Real Estate Association.

(F) Forecast by CMHC.

\* Total does not add due to rounding.

\*\* Excludes Yukon and Northwest Territories.



## Major Housing Indicators

Seasonally adjusted at annual rates  
(levels and quarterly per cent change)

	93:Q3	93:Q4	94:Q1	94:Q2	94:Q3	94:Q4	95:Q1
<b>New housing</b>							
Building permits, units, thousands	166.9	164.0	155.9	175.3	151.4	145.6	122.5
%	8.0	-1.8	-4.9	12.5	-13.7	-3.8	-15.9
Housing starts, total, thousands	158.1	162.2	153.9	165.8	155.0	141.7	127.4
%	4.4	2.6	-5.1	7.7	-6.5	-8.6	-10.1
Housing starts, singles, thousands	89.3	84.4	74.6	102.7	96.4	75.7	62.5
%	2.4	-5.5	-11.6	37.7	-6.1	-21.5	-17.4
Housing starts, multiples, thousands	68.8	77.8	79.3	63.1	58.6	66.0	64.9
%	7.2	13.1	1.9	-20.4	-7.1	12.6	-1.7
Housing completions, total, thousands	173.5	156.7	145.6	163.9	176.1	162.8	131.8
%	8.2	-9.7	-7.1	12.5	7.4	-7.5	-19.0
New house price index, 1986=100	136.2	136.4	136.4	136.0	135.9	136.0	..
%	0.2	0.1	0.0	-0.3	-0.1	0.0	..
<b>Existing housing</b>							
MLS resales, units, thousands	315.4	317.9	332.4	322.8	275.7	279.9	210.8
%	0.8	0.8	4.6	-2.9	-14.6	1.5	-24.7
MLS average resale price, \$C thousands	153.9	154.1	157.7	158.4	159.6	159.4	151.1
%	0.1	0.1	2.3	0.4	0.8	-0.1	-5.2
<b>Mortgage market</b>							
Mortgages outstanding, \$C billions	305.6	310.6	316.0	322.6	327.8	331.1	..
%	1.4	1.6	1.7	2.1	1.6	1.0	..
Mortgage approvals, \$C billions	73.1	71.1	82.6	76.0	57.0	54.1	..
%	4.6	-2.7	16.2	-8.0	-25.0	-5.1	..
1-year mortgage rate, per cent*	6.50	6.33	6.17	8.28	8.38	8.50	9.63
5-year mortgage rate, per cent*	8.75	8.08	7.82	9.92	10.30	10.10	10.34
<b>Residential investment**</b>							
Total, \$1986 billions	31.2	31.5	32.2	33.2	32.1	31.8	..
%	-1.8	0.8	2.3	3.2	-3.4	-0.9	..
New, \$1986 billions	14.5	14.3	14.9	15.8	15.7	14.7	..
%	-2.3	-1.4	4.3	6.5	-0.9	-6.4	..
Alterations, \$1986 billions	10.4	10.6	10.4	10.7	10.8	11.1	..
%	0.9	1.2	-1.6	2.6	1.2	3.0	..
Transfer costs, \$1986 billions	6.3	6.7	6.9	6.7	5.6	6.0	..
%	-4.9	4.9	4.3	-2.9	-16.3	6.5	..
Deflator, 1986=100	137.1	137.6	140.4	141.1	141.3	142.3	..
%	0.6	0.4	2.0	0.5	0.1	0.7	..

SOURCES: CMHC, Statistics Canada, Bank of Canada, The Canadian Real Estate Association.

.. Figures not available.

\* All indicators are seasonally adjusted except 1- and 5-year mortgage rates.

\*\* Residential investment includes outlays for new permanent housing; conversion costs; the cost of alterations and improvements; supplementary costs; and transfer costs.



















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**Canada**



**NATIONAL HOUSING OUTLOOK  
THIRD QUARTER, 1995**

**MARKET ANALYSIS CENTRE  
CANADA MORTGAGE AND HOUSING CORPORATION**

Forecast prepared August, 1995



For further national information call the Market Analysis Centre:

Anh Trinh	– Director	(613) 748-2577
Gilles Proulx	– Chief Economist	(613) 748-2574
Marc Pellerin	– Senior Economist, Capital Markets	(613) 748-2506
Michel Laurence	– Senior Economist, Housing Analysis	(613) 748-2737
Leonard FitzPatrick	– Senior Economist, Modelling and Forecasting	(613) 748-2552
Greg Goy	– Manager, Local Markets Analysis	(613) 748-2582

For further provincial information please contact:

Mac Woodman	(Newfoundland)	(709) 772-4034
Brian Martin	(Newfoundland)	(709) 772-2096
Ralph Freeze	(Prince Edward Island)	(902) 566-7467
André Moore	(Nova Scotia)	(902) 426-8465
Sally Erskine Doucette	(Nova Scotia)	(902) 426-1812
Bruce Read	(New Brunswick)	(506) 452-3818
Todd Selby	(New Brunswick)	(506) 452-3381
Mario Vachon	(Quebec)	(514) 283-4488
Alex Medow	(Ontario)	(416) 495-2000
Richard Goatcher	(Manitoba)	(204) 983-5648
Terry Kozak	(Manitoba)	(204) 983-8503
Paul Caton	(Saskatchewan)	(306) 975-4897
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David Peever	(Alberta)	(403) 292-6200
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Market Analysis Centre  
Canada Mortgage and Housing Corporation  
700 Montreal Road  
Ottawa, Ontario  
K1A 0P7  
Tel. No: (613) 748-2969  
Fax No: (613) 748-2402

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# Executive Summary

Canada's housing markets moved in opposite directions during the second quarter of 1995. Responding to the mortgage rate slide that began after rates peaked in February, the existing home market picked up steam during spring and MLS\* sales reached 253,500 on a seasonally adjusted annual rate basis, up from a first-quarter slump of 210,800.

The new home market, usually slower to react to rate declines, continued to record lower starts. Housing starts fell 15 per cent during the second quarter to a seasonally adjusted annual rate of 108,300 units compared to 127,400 during the first quarter.

Following a pause during the first half of the year, Canada's economy is forecast to return to growth for the rest of the year and 1996. The modest recovery will be thanks to lower financing costs and renewed economic momentum in the U.S.

The new-home housing sector is expected to improve during the second half of 1995 and into 1996. Total housing starts this year will fall to 112,500, which is 27 per cent less than in 1994 and the lowest level since 1960. The overall decline in this year's new construction activity will cause both the single- and multiple-unit markets to fall by more than 25 per cent. Construction levels are forecast to reach 127,100 next year, a double-digit rebound, but a very modest one compared to earlier housing recoveries. This recovery will be limited to the single-detached sector.

The slight upturn expected in new construction will be due to the moderate economic expansion and the easing of mortgage rates. Growth will remain hampered by a well supplied market, slower household formation and consumer restraint.

This year, all provinces are expected to post lower housing starts. Next year, the pace of construction should quicken in most provinces, with those in the centre of the country expected to record the greatest gains.

With a recovery under way, this year's MLS sales will fall 15 per cent to 256,900 units, a more moderate decline than in new construction. The sales momentum should continue in 1996, resulting in gains of nearly 10 per cent. Price easing in a buyers' market and sharply lower sales in the more expensive centres are reducing the average resale price by 4.4 per cent this year to \$151,900. The moderate recovery in 1996 is expected to lift the average transaction price by less than 2 per cent.

## NEWFOUNDLAND

Hibernia spending and a good performance of the mining and forest industries are cushioning the impact of fisheries trends on the provincial economy. But Hibernia spending, now peaking, will decline in 1996 and lead an economic downturn. The resulting job instability and out-migration dampen housing demand both for new and existing homes. Recent declines in interest rates will provide a modest boost to the resale market, but this will not be large enough to prevent year over year declines in 1995 and 1996.

Both single-detached and two-apartment starts are forecast to decline this year and next. Total housing starts are forecast to fall to 1,875 this year with further erosion to 1,775 units in 1996.

## PRINCE EDWARD ISLAND

The fixed-link project remains a major boost to the Island's economy this year, but revenues from tourism and agriculture will not match last year's strong performance. As well, public-sector

streamlining have a tremendous impact on the provincial economy. The resulting lack of employment and income security is dampening housing demand, particularly in Charlottetown and other cities. Moreover, steady high vacancy rates are finally taking a big bite out of rental developments.

Housing starts are expected to reach 390 this year, falling more than 40 per cent from the strong level of 1994 mainly due to the slump in multiple unit construction. A slight improvement to 450 new units is forecast for 1996.

## NOVA SCOTIA

Nova Scotia urban housing starts bucked the national trend during the first half of 1995, with growth of more than 7 per cent. The rise in starts is due in part to more apartment projects. Developers are confident they can attract tenants to new projects, particularly in Metro Halifax.

The early momentum will carry multiple starts in 1995 slightly above 1994 levels. However, high inventories will dampen activity in the single-detached market. Consumer unease will cause households to avoid big financial commitments. They will either postpone homebuying decisions, spruce up current housing (leading to renovation spending), or choose lower-priced housing. As a result, a total of 4,550 starts are expected for 1995, followed by a small decline to 4,400 in 1996.

## NEW BRUNSWICK

Telecommunications, pulp and paper, and highway construction will lead the province's economy through 1996. Homebuilding will also begin to expand this fall as the mortgage-rate slide earlier in the year brings buyers back to the market. This increased activity, however, will not be enough to create a rebound in starts in 1995. New-house

\* Multiple Listing Service (MLS) is a registered certification mark owned by the Canadian Real Estate Association.



construction will decline by over 15 per cent to 2,700 home starts by year-end. Only in 1996 will the market momentum be sufficient to sustain starts near the 3,000 unit mark.

Both the single-family home sector and the apartment market will decline this year. With rental vacancy rates rising, the strong activity of multiple units in recent years cannot be maintained.

## QUEBEC

In the first half of 1995, the Quebec housing market posted its lowest level of activity of the last 13 years. Although more affordable mortgage rates will rekindle consumer interest and build up confidence, 1995 starts will only total 22,800 units.

Construction activity is expected to accelerate to 28,000 units in 1996. Low interest rates and better employment conditions for the 25-to-44 age group will motivate potential young homeowners to jump into semi-detached, row and condominium housing. Move-up buyers will also be more active on the single-detached market thanks to a more vigorous resale market and better employment opportunities. As for rental construction, the downturn which has persisted since 1987 will bottom out in 1995, and new construction will improve slightly in 1996. The expected employment gains for the 15-to-24 age group and increased migration will bring vacancy rates down.

## ONTARIO

Higher interest rates, job losses and limited income growth combined to shatter consumer confidence and home markets in Ontario at the beginning of 1995. Second-quarter home starts plunged to the lowest level seen in almost 13 years. The declines were in the single, semi-detached and row-house markets.

Home starts are expected to rise again, beginning in the second half of 1995. May and June growth in the resale market is a sign of pending recovery in new-home building. Low mortgage rates will encourage sales of existing homes, especially among first-

time buyers. The pace of multiple-family home starts will be tempered, however, by the Ontario government's cancellation of assistance to most non-profit housing projects. The net result of 37,000 total starts for 1995, will be the lowest annual number in over 40 years. Housing demand will recover to 45,500 units in 1996 due to demographic pressure and improved economics.

## MANITOBA

Manitoba housing showed very little activity in the first half of the year. Lack of real income growth, consumer concerns about job security and a large surplus of unsold homes put a damper on markets. Although Winnipeg's vacancy rate fell this year, multiple construction will remain minimal. Years of high vacancies have kept rents well below levels required to support new rental construction. Total housing starts will drop to near recessionary levels in 1995, barely exceeding 2,000 units.

In 1996, a sustained economic recovery and improved consumer confidence, combined with affordable prices, will boost both new and resale markets in Manitoba. Demand for new homes will gradually rise, with total new construction at more than 2,500 units next year. Move-up buying will take off again, boosting sales of trade-up homes and increasing average prices.

## SASKATCHEWAN

Supported by strong primary industries, Saskatchewan's economy will grow again this year. Most of this expansion is capital-, rather than labour-intensive, however, and will result in little job creation. This should limit housing activity in 1995 and 1996. The bright spot will be the growing popularity of condominium housing among empty-nesters.

The driving force of the new single-detached market is currently the move-up consumer. First-time buyers are less active because resale prices have not increased enough to make new homes seem a tempting alternative. But since move-up buyers form a relatively

small market in Saskatchewan, demand for singles is down.

As a result of these trends, the province can expect about 1,880 starts in 1995, climbing to just over 2,060 units in 1996.

## ALBERTA

Provincial housing markets reached the bottom of their cycle during the first half of 1995 with mounting inventories and rental vacancies, low sales, and poor housing starts. The provincial economy is expected to keep growing, although more slowly, as forest products and petrochemicals offset lower natural gas exploration and public sector cuts. The slide in mortgage interest rates earlier this year will support a modest improvement in the resale market. This, combined with a correction of the existing oversupply will set the stage for a modest recovery in 1996.

Total housing starts are expected to reach 12,500 this year, nearly 30 per cent less than in 1994, with large declines in both the single and multiple markets. Next year, a modest recovery to 13,600 starts is forecast, stemming mainly from a rebound in single-detached starts.

## BRITISH COLUMBIA

By mid-year, lower mortgage rates are boosting sales of new and existing homes, but construction activity turned sluggish due to the inventory build-up. The current construction slump should help bring down the inventory but new construction will remain weak in 1996 due to in-migration and job growth gearing down. Softer prices and tighter financing are further contributing to lower multiple unit construction. Next year, an upturn in mortgage rates will be an obstacle to the sales recovery and new construction.

Construction is expected to fall nearly a third this year to 26,700 units with both single and multiple units suffering similar relative declines. For 1996, the total is forecast down further to 25,800 units, as another reduction in multiple unit construction will overshadow a modest increase in starts of single-detached dwellings. ■



# Canada

by Gilles Proulx  
and Michel Laurence



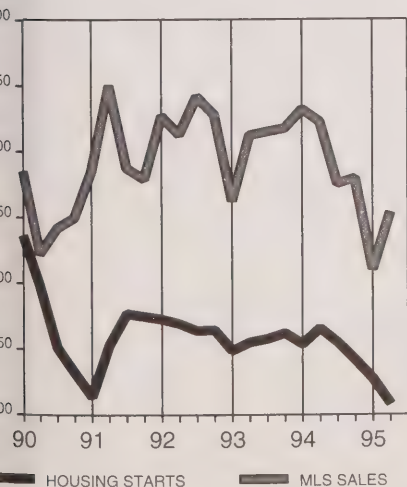
## Lower mortgage costs boost resale market

Canada's existing-home market picked up steam during the second quarter of 1995, responding to the mortgage rate slide that began after rates peaked in February. The momentum has not yet reached the new-home market, which is usually slower to react to rate declines.

Dropping seven times from February's peak of 10.75 per cent, the five-year rate hit 8.50 per cent by mid-year before edging up slightly to 8.95 per cent at the end of July.

## Resale markets began to recover in the spring

Housing starts and residential MLS sales — Canada



SOURCES: CMHC; The Canadian Real Estate Association

Buyers of existing homes were the first to take advantage of lower rates, boosting residential MLS activity in May and June. As a result, second-quarter sales reached 253,500 on a seasonally adjusted annual rate basis, up from a first-quarter slump of 210,800. Slightly lower prices also helped make the market more affordable.

By contrast, activity dropped in the new-home market. Housing starts fell 15 per cent during the second quarter to a seasonally adjusted annual rate of 108,300 units compared to 127,400 during the first quarter. Single-detached starts inched up to 63,700 units, while multiple unit construction fell by nearly a third to 44,600 units.

## 1995-96 Outlook

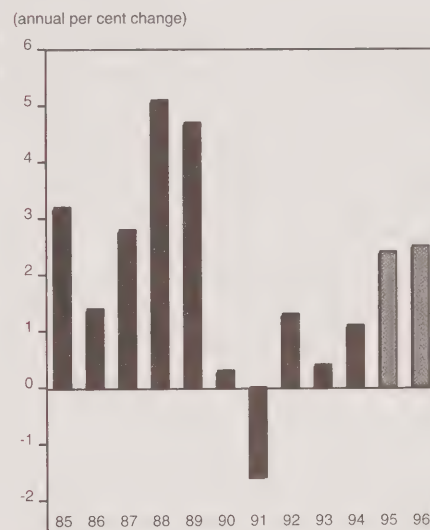
### Growth trend returning

Although Canada's economy slowed considerably during the first half of 1995, a return to growth is forecast for the rest of the year and 1996. The modest recovery expected will be thanks to lower financing costs and renewed economic momentum in the U.S.

In the first six months of the year, economic expansion nearly ground to a halt. This occurred as the impact of an earlier run-up in

## Low income growth limits consumer spending

Real personal disposable income — Canada



SOURCE: Statistics Canada; 1995-96 CMHC forecast.

interest rates spread from housing and other rate-sensitive sectors to the rest of the economy. Export growth was also stemmed by economic slowdown in the U.S. As a result, Canada's job market stalled and consumers, worried about the future, put off major purchases.

The recent slide in interest rates and an expected pick-up in the U.S. economy signal better times ahead. Both this year and next, our economy is forecast to expand by around 2.5 per cent and employment to increase by 1.5 to 2 per cent.



Nevertheless, the consumer restraint that has dogged the 1990s will continue. Consumer spending power is limited because of slow job markets, insufficient savings, mounting debts and marginal growth of real incomes. This last factor is particularly important in understanding consumer behaviour. Real personal disposable income, that is the income left after inflation and taxation have taken their toll, greatly determines consumer confidence.

During the second half of the 1980s, real personal disposable income grew at a healthy rate of nearly 3.5 per cent per year. From 1990 to 1994, a period marked by recession and slow recovery, the increase slowed to an annual average of 0.3 per cent. Although the rate should improve to a more satisfactory 2.5 per cent this year and next, it will still be low enough to dampen housing demand.

The recent easing of mortgage rates has been a positive trend. Rates have retreated significantly since the beginning of the year, and some further decline remains possible up to the beginning of 1996. This should be followed by an upward trend as the North American economic expansion firms up. Overall, the five-year mortgage rate is expected to average 9.3 per cent next year, compared to 9 per cent this year. The one-year rate is forecast to hover around 8.2 per cent in 1996, the same level as in 1995.

## Moderate housing recovery forecast

Following the lead of the resale market, the new-home housing sector is expected to improve during the second half of 1995 and into 1996. This will bring total housing starts this year to 112,500, which is 27 per cent less than in 1994 and the lowest level since

## New-home inventory overstocked

Canada's surplus of new housing units is on the rise, a problematic trend since demand lags well behind supply.

The amount of unsold or unrented inventory is increasing for all housing types single-detached, semi-detached, row-housing and apartments. At the same time, demand in all these categories is down.

Between June 1994 and June 1995, the number of vacant new units rose 21 per cent for singles and semis, and 27 per cent for row-housing and apartments.

Much of the increase in the former market has been concentrated in Vancouver and, to a lesser extent, Calgary. Surpluses in row-housing and apartments are greatest in Vancouver and Victoria, which account for half the increase in these sectors. The excess of multiple units would be even larger if not for large stock reductions in Toronto and Hamilton.

The inventory build-up is of particular concern as the pace of absorption slows.

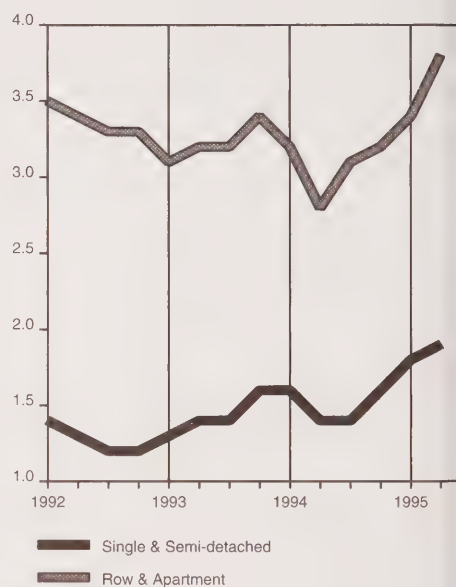
The second quarter of 1995 saw a 25 per cent reduction in the number of new single and semi-detached units occupied compared to the same period last year. Similarly, in the row and apartment market, stock reduction was 27 per cent lower in the second quarter of 1995 compared to the same period a year earlier.

The net result is that, even if construction halted over the next few months, the market would still need a record amount of time to absorb supply. The inventory of new single and semi-detached units currently represents a supply of 1.9 months. For row and apartment units, it represents a supply of 3.8 months.

In most CMAs, the surplus is more pronounced at lower price ranges. This reflects market forces over the last year which dampened first-time buyer demand. Demand for singles and semis has been weakest in the entry-level segment of the market. Major exceptions include Edmonton, Halifax, and Hamilton where absorption has been uniformly low for all housing types. In markets with higher housing demand, namely Toronto and Winnipeg, only the upscale end of the market has zip.

### Rising inventories of new unoccupied units

(months of supply at current absorption rates)



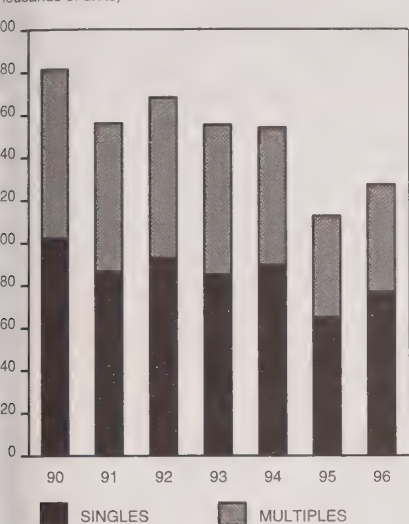
Source: CMHC.



## New construction expected to reach 127,100 in 1996

Housing starts by type — Canada

(thousands of units)



SOURCE: CMHC.  
1995-96 Forecast

1960. Construction levels are forecast to reach 127,100 next year, a double-digit rebound, but a very modest one compared to earlier housing recoveries.

The slight recovery expected in new construction will be due to moderate economic expansion and the easing of mortgage rates since the beginning of the year. The growth will be limited, however, because of two additional factors.

First, housing demand in this decade is constrained by the slow increase in adult population. Household formation forecasts are in the range of 150,000 to 167,000 per year for the second half of the 1990s, compared to 183,000 in the 1980s and 230,000 in the 1970s.

Second, demand will be partially satisfied by markets already well supplied, as evidenced by high vacancy rates, abundant resale listings and larger inventories of new, unoccupied units. (See the special feature article on previous page for details on the inventory situation.)

The overall decline in this year's new construction activity will cause both the single- and multiple-unit markets to fall by more than 25 per cent. The recovery expected for 1996 will be limited to the single-detached sector. Multiple construction will edge up only slightly, because of low rental construction and the slow pace of British Columbia markets where multiples are a key sector.

The low levels of rental starts will help bring down the apartment vacancy rate which has already started to decline, and reached a four-year low of 4.2 per cent last April. It is now forecast to drop to 4.0 per cent in the fall of 1996. This is still a high rate, however, compared to the levels of other decades.

This year, all provinces are expected to post a drop in housing starts, with some of the sharpest declines to occur in British Columbia and Alberta where inventories of new, unoccupied units have been on the rise. A combination of low demand and high vacancy rates will pull Quebec starts down by a third. Both Manitoba and Prince Edward Island should also see steep drops following the fairly strong construction levels of last year.

Ontario, Saskatchewan, New Brunswick and Newfoundland will experience more moderate reductions in activity. Nova Scotia construction will drop slightly because of high multiple construction and a provincial sales tax rebate for owners of new homes.

Next year, the pace of construction should quicken in most provinces, with those in the centre of the country expected to record the greatest gains. British Columbia, however, is still likely to see starts recede because of a continued slump in multiple-unit construction.

The resale market has already shown signs of recovery, therefore this year's sales decline will be more moderate than that of new construction. For 1995, sales of existing homes are forecast to fall 15 per cent to 256,900 units. The momentum gained in the second half of the year should continue in 1996, resulting in gains of nearly 10 per cent to 281,200 units.

Substantial price easing in a buyers' market and a sharp drop in sales in the more expensive centres are reducing the average resale price by 4.4 per cent this year to \$151,900. The moderate recovery in 1996 is expected to lift the average transaction price by less than 2 per cent. ■



# Newfoundland

by Mac Woodman and Brian Martin



## HIGHLIGHTS

- Economic downturn on the horizon
- Housing demand to remain weak
- High vacancy rates to continue

## Housing demand retreats

Housing demand fell significantly during the first six months of 1995 as many consumers remained cautious over future economic prospects. Limited income growth and higher interest rates relative to a year earlier also contributed to the poor performance in both the new- and existing-home markets.

Urban centres, which house the majority of government services, were hardest hit by job uncertainty with housing starts falling almost 60 per cent during the first half. While starts in rural areas remained at low levels, gains were recorded for the second consecutive quarter. Although the vacancy rate in the province's six larger urban centres dropped to 8.7 per cent, the market remained oversupplied.

Consumer uncertainty also spilled over into the resale housing market during the first half, with provincial MLS sales falling 25 per cent. Declines were widespread with fewer sales recorded in both the St. John's region and central Newfoundland. Excess supply and weak demand maintained downward pressure on house prices during the second quarter. The average price of an existing home fell by slightly more than 5 per cent.

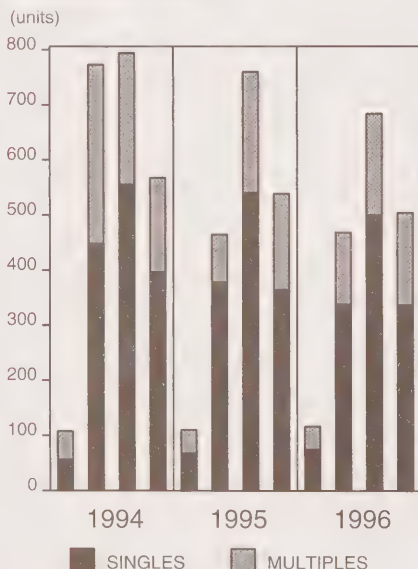
of \$1.4 billion and approximately 5,500 person-years of employment in 1995, the project will start winding down in 1996. Direct employment on the project will drop to around 2,800 persons next year, while expenditures are forecast to decline by half.

Recent surveys on fish stocks indicate that northern cod and other groundfish species remain at extremely low levels. Although an increase in shellfish landings and higher imports of foreign fish for processing in local plants will provide some relief, total fisheries output will decline again in 1995. Efforts to diversify into other species as well as continued strength in shellfish landings will support slight gains in output in 1996. The pulp and paper industry is also forecast to improve over the forecast period reflecting strong demand and healthy price growth for newsprint.

The mining industry will remain one of the bright spots in the provincial economy during 1995/96. Improved market conditions will support price growth and higher production levels of iron ore.

The recent Voisey Bay discovery presents tremendous potential for future production of nickel, copper and cobalt. Initial exploration activities indicate that the discovery contains reserves of at least 50 million tonnes which could support a major mining operation for 30 years. The discovery has prompted a flurry of claim staking, which is expected to generate over \$40 million in exploration expenditures in 1995. Although full-scale production is not expected to take place for a number of years, exploration activity, as a result of Voisey Bay, will provide a boost to the industry over the forecast period.

## Housing Starts NEWFOUNDLAND



SOURCE: CMHC.  
1995-96 Forecast.

## 1995-96 Outlook

### Economy to grow in 1995 and slow in 1996

The provincial economy is expected to grow by 2 per cent in 1995, largely on the strength of Hibernia-related investment and strong performances in both the mining and forest industries. Following three years of expansion, the provincial economy will shrink by approximately 1 per cent in 1996, reflecting reduced spending on Hibernia and further cutbacks at all levels of government.

Just as the Hibernia project was the major contributor to economic growth between 1992 and 1995, it will be the main cause of the economic downturn in 1996. Following peak expenditures



Strong employment growth in 1995 will bolster consumer spending and lead to modest growth in retail trade. Cutbacks in Hibernia and government expenditures as well as reductions in unemployment insurance benefits will cause a slight decline in consumer spending next year.

While gains in Hibernia activity will fuel a 2.6 per cent increase in employment in 1995, job losses associated with the winding down of Hibernia and layoffs in the public sector will lower employment by 2 per cent in 1996. Accordingly, the unemployment rate will fall to 19 per cent in 1995 before rising to 20.3 per cent next year. Underlying weakness in the economy will maintain out-migration at high levels in both 1995 and 1996.

### Job instability and out-migration dampen housing demand

Concerns over job security and high levels of out-migration will limit demand for both new and existing homes in 1995 and 1996. Residential construction will also be negatively affected by an oversupply of lower-priced, existing homes. Lower interest rates and slowly declining inventories of new homes will support only slight gains in housing starts during the second half of 1995.

Second-half gains will not be sufficient to offset earlier losses, with total housing starts forecast to fall to 1,875 units this year. Job losses and out-migration associated with the economic slowdown will further erode consumer confidence and lower housing starts to 1,775 units in 1996.

Both single-detached and two-apartment starts are forecast to decline this year and next. Fewer starts of two-apartment homes combined with high vacancy rates in larger projects will result in a substantial drop in multiple-unit construction in 1995. Strengthening demand from seniors will maintain multiple-unit starts at 525 units again in 1996.

### Buyers' market continues

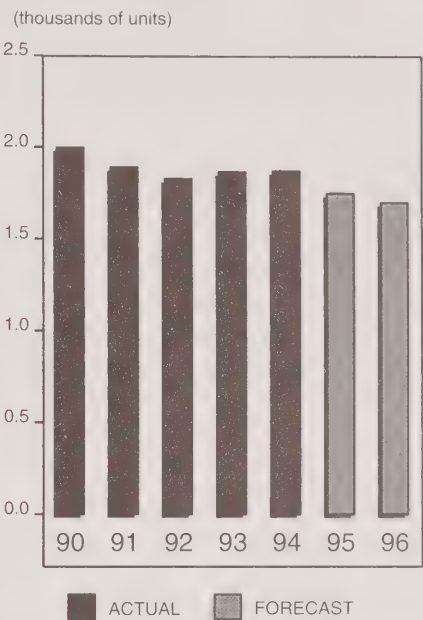
Although recent declines in interest rates will provide a modest boost to resale market activity during the second half of 1995, earlier losses will result in a drop in total provincial MLS sales this year. The supply of existing homes available for sale will continue to outpace demand with a buyers' market expected to prevail this year and next. A further erosion in consumer confidence stemming from the economic downturn will dampen homebuying activity again in 1996.

Oversupply and sales of lower-priced homes to first-time buyers will force the average MLS house price down by more than 2 per cent in 1995. Outmigration as a result of the winding down of Hibernia in 1996 will lead to a steady increase in the number of higher-priced houses being placed on the market. This increased supply will lead to further price reductions at the higher end of the market. These conditions will support a marginal increase in sales of higher-priced homes and contribute to modest average price growth next year.

### Rental market remains weak

Demand for rental accommodation in the St. John's region's condo, single-family and apartment markets will be reduced between mid-1995 and mid-

### Residential MLS Sales NEWFOUNDLAND



SOURCE: The Canadian Real Estate Association.  
CMHC: Forecast.

1996, as various components of Hibernia's construction phase begin winding down. Ongoing competition from basement apartments and an expected decrease in the student population will also limit demand for rental units in larger projects. Accordingly, vacancy rates are forecast to remain in the 8 to 10 per cent range over the next 18 months. These factors will limit rental rate increases and discourage new investment in larger projects in the St. John's area. ■

### Key Provincial Indicators NEWFOUNDLAND

	1994	1995 <sup>(F)</sup>	1996 <sup>(F)</sup>
Real GDP (% Change)	1.3	2.0	-1.0
Employment (% Change)	0.7	2.6	-2.0
Unemployment Rate (%)	20.4	19.0	20.3
Housing Starts (Units)			
Total	2243	1875	1775
Singles	1455	1350	1250
Multiples	788	525	525
MLS Sales (Units)	1873	1750	1700
Average MLS Price (Dollars)	91697	89500	90500

SOURCES: CMHC, The Canadian Real Estate Association and Statistics Canada.  
(F) Forecast by CMHC.



# Prince Edward Island

by Ralph Freeze

## Highlights

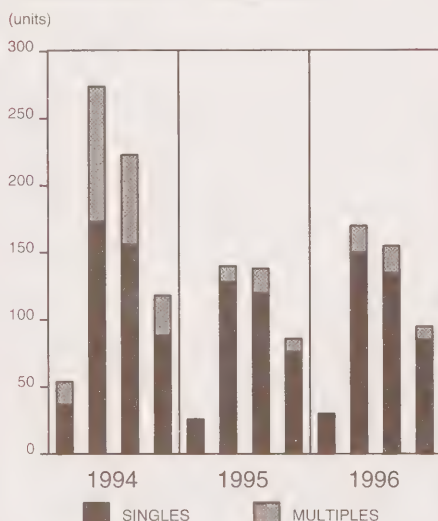
- Economy grows on fixed-link project
- Big declines in all forms of home construction
- Sales go stale

## 1995-96 Outlook

### The fixed link bridging the gap

Similar to last year, P.E.I.'s economic growth will be driven by the fixed-link project. Unlike 1994, however, the Island's economy will not get much help from other sectors.

### Housing Starts PRINCE EDWARD ISLAND



SOURCE: CMHC.  
1995-96 Forecast.

Tourism will struggle to match the record-setting pace of last summer. Last year's exceptionally fine weather gave the industry a tremendous boost. Visitors stayed on the Island longer than usual before moving to other destinations. This year's weather has not been as kind. In addition, the economies of the other Atlantic provinces and New England, where a majority of our visitors live, have slowed down in the last year.

The situation is much the same in the agricultural industry. High potato prices have been in effect for two years — a rare phenomenon. But, good returns have encouraged more production. Planting on P.E.I. has soared to approximately 100,000 acres. Planting in other regions, such as Idaho, have increased as well, with the likely result of driving down prices. Also, the decision to cut feed freight assistance will have an impact on the bottom line of most farm operations.

Construction will also gain from new food processing facilities. An industrial food park is coming to Souris, and this will help replace jobs lost due to the fish plant fire. In Summerside, Small Fry Snack Foods will establish a processing plant requiring a significant amount of potatoes. A drop in new-home starts, however, will act as a drag on the construction sector this year.

Employment will grow by 2,000, and the unemployment rate will drop by two percentage points this year, thanks to fixed-link construction. These levels will be maintained

through 1996, but will begin to slip after that.

### Rental construction minimal

New-home construction will slump even further than originally forecast for 1995, with a small improvement expected next year. High vacancy rates in the first half of this decade have finally taken a big bite out of rental development. Record high vacancies in Charlottetown this spring have led to a dismal six-month total of 12 new rental units. Such a low level of construction has not been seen since the recession of the early 1980s.

The rest of this year will bring little change for rental construction. Next year there will be a slight increase with possibly one or two structures built for seniors. Semi-detached houses will account for a significant portion of multiple-unit building. Rental demand for this form of structure has not declined.

### Singles join the slide

Single-detached home construction is forecast to drop this year to its lowest level since 1982. A small improvement is expected next year. Lack of employment and income security are the main causes of this slump. Although provincial employment figures are at an all time high, the jobs are short term and therefore not stimulating housing demand. In





addition public-sector streamlining and cutbacks are having a tremendous impact due to the strong presence of government in the economy. Concerned about job security, consumers are very hesitant to make big purchases.

Construction in urban areas has slipped much deeper than in rural P.E.I. Confirming earlier forecasts, two years of good potato prices have buoyed up rural home building. At mid-year, rural areas made up half of all singles starts. This is a strong showing which is expected to continue into 1996.

Increased building activity next year will be an indirect result of improved sales of existing homes. A strong buyers' market and a clearer picture of the impact of government cutbacks will open the door to more sales. This, in turn, will provide the opportunity for those selling their homes to build new ones.

### Sales take a dive

Sales of existing homes will make it seem as if everyone left the Island this year and only a few are returning in 1996. A sales drop of one-third

puts P.E.I. back to levels seen in the early 1980s. Reduced mortgage rates, lower house prices, and high employment figures have not been able to generate home sales. A "wait and see" attitude will prevail until the imminent government cutbacks are revealed.

The rest of the province has joined Charlottetown as a buyers' market. Many of those who have been able to sell had to reduce their asking price, in some cases, more than once. The combination of a high number of listings and low demand has made for a very competitive resale market. On a positive note, these circumstances have been attracting renters into ownership. The opportunity to purchase in this type of market without the added worry of selling a property is a bonus.

### Prices inch downward

The average sale price will fall from over \$78,000 to \$70,000 this year. Although this is a large drop for one year, it is a reflection of the houses being purchased rather than an absolute price decline. Demand from first-time buyers is in the lower price ranges. Sales of homes listed at over \$100,000 are very few, which explains the slump in urban locations.

Downward pressure on prices is nevertheless occurring. Appreciation

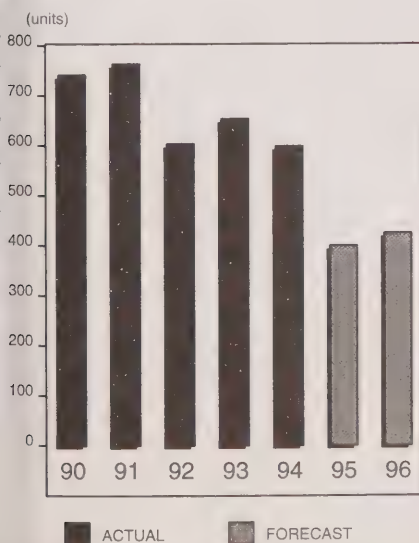
from the past five years has been eroded, but not by a significant amount. For homes in the over \$130,000 bracket, price deflation is more evident. Current demand is not focussed on homes of this price range, making it difficult for the move-up market to get any momentum.

Next year will see more balance, with increased sales in the \$90,000 to \$120,000 range. After three years of link-related work and the expansion of food processing, more homebuying will open the door for an improved move-up market.

### In conclusion

Market gains in 1996 are expected to be slight improvements only, not reflecting levels associated with a full recovery. Reduced government presence in the P.E.I. economy will take place over a number of years. This transition will mean lower migration to the province, lower-paying replacement jobs (at least initially), and reduced income and job security until the process is complete. These factors, combined with the tendency of young Islanders to seek employment in other locations, will mean that the present level of housing demand and market conditions are here for a while.■

**Residential MLS Sales  
PRINCE EDWARD ISLAND**



SOURCE: The Canadian Real Estate Association.  
CMHC: Forecast.

**Key Provincial Indicators  
PRINCE EDWARD ISLAND**

	1994	1995 <sup>(F)</sup>	1996 <sup>(F)</sup>
Real GDP (% Change)	5.0	3.2	3.0
Employment (% Change)	3.7	4.0	0.0
Unemployment Rate (%)	17.1	15.0	15.0
Housing Starts (Units)			
Total	669	390	450
Singles	454	350	400
Multiples	215	40	50
MLS Sales (Units)	599	400	425
Average MLS Price (Dollars)	78752	70000	72000

SOURCES: CMHC, The Canadian Real Estate Association and Statistics Canada.  
(F) Forecast by CMHC.



# Nova Scotia

by André Moore and Sally Erskine Doucette



## Highlights

- Singles starts decline as consumer confidence stays weak
- Apartment developers in Metro Halifax push for project approvals
- Resales relatively strong, but record-breaking streak over

## Apartment starts up, resales down at mid-year

While most of Canada saw declines in urban housing starts during the first half of 1995, Nova Scotia bucked the trend with annual growth of more than 7 per cent. The rise in starts is due in part to an increase in multiple-unit construction, particularly rental apartment projects in the City of Halifax. Some

nervous developers have been rushing to get their projects approved before Metro is amalgamated next year.

The singles market saw a rash of speculative building in the first quarter to beat a deadline for the Provincial Sales Tax Rebate Program on building materials. Nevertheless, single-unit construction was down 7.3 per cent in the first half of the year. The trend will continue until year-end despite low mortgage rates, because current inventories are relatively high. The level of inventory must be reduced before more building is needed.

The resale market was down 7.4 per cent in the first six months of 1995, compared to the same period last year. Activity declined in February, March and April in tandem with peak mortgage rates and, in part, with announcements of government spending cutbacks and job losses. The cutbacks will especially affect Metro Halifax because it is largely a government town. Outside of Metro, buyer activity is increasing, as mature, financially secure buyers move out to the country.

dampen activity. In addition, consumer unease will cause households to avoid big financial commitments. They will either postpone homebuying decisions, spruce up current housing (leading to renovation spending), or choose lower-priced housing. Sellers will have to make special efforts over the next two years to find buyers. House prices are expected to keep pace with inflation, at best.

Another factor that will limit housing activity in the short term is a small, but significant loss of population through migration. Although Nova Scotia's share of international immigrants is growing, the number of people leaving the province is cancelling out any gains.

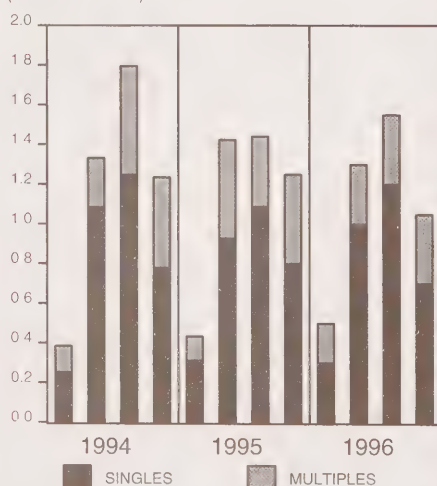
One segment of the housing market is doing very well — a small, but successful segment that caters to out-of-province buyers. Many are discovering Nova Scotia as a tourist or retirement destination, and are buying and building a variety of recreational "hide-aways". See our feature article "Nova Scotia's Best Kept Secret" for a detailed discussion of this market.

Existing-home sales in 1995 are forecast to total 6,800 units, followed by 6,700 units in 1996. These volumes are well above average, but lower than the records set in recent years. The average price for resales is forecast to decrease marginally in 1995 reflecting weaker markets and fewer high-priced home sales.

Although starts in Nova Scotia will be slightly down this year, the province's construction industry will continue to outperform that of most other provinces. This is because apartment developers are confident they can attract tenants to new projects, particularly in Metro Halifax.

## Housing Starts NOVA SCOTIA

(thousands of units)



SOURCE: CMHC.  
1995-96 Forecast.

## 1995-96 Outlook

Mid-year housing statistics are confirming our forecast for a slightly below-average year in new-home construction. A total of 4,550 starts are expected for 1995, followed by a small decline to 4,400 in 1996. Next year's marginal decline will occur as interest rates begin a slow rise and consumers remain cautious. Their lack of confidence will be due to high job uncertainty, particularly in the public sector, so dominant in Nova Scotia.

Although rates will still be relatively low and help boost housing sales in 1995 and 1996, high inventories will



# Nova Scotia's best kept secret

By Darlene G. Groves

People from outside Nova Scotia are slowly catching on to the province's best kept secret — pristine, unspoiled waterfront property for sale at relatively affordable prices. With 7,400 kilometres of ocean-front property and plenty of undeveloped land, this province is a haven for people from overcrowded regions.

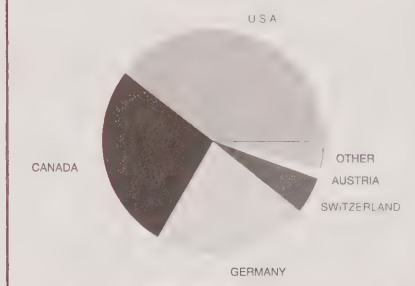
Over the last decade, non-residents bought approximately 39,000 acres of land, or 0.3 per cent of the total available in the province. Purchasers were primarily from the U.S. (40 per cent), other parts of Canada (27 per cent), Germany (23 per cent), and Switzerland (5 per cent). Most of the land (49 per cent) was purchased in Halifax county.

Unlike crowded European and U.S. regions, Nova Scotia has plenty of vacation properties that are affordable, surrounded by several acres of wilderness, and all within a short drive to a metropolitan city and airport. Prime, developed, ocean-front dwellings on more than an acre of land can range from \$100,000 to \$300,000. By contrast a lakefront property in Germany can cost millions.

Other reasons out-of-province purchasers choose Nova Scotia are:

- **Privacy** — For example, two German couples purchased a small island, and then bought 100 acres of land on the mainland to ensure their privacy.
- **Waterfrontage** — Of property purchased by non-Nova Scotians, 31 per cent bordered on saltwater, 31 per cent on freshwater, and 2 per cent on both salt and fresh water. Land without waterfrontage came to 33 per cent, indicating that at least a third of purchasers are not looking exclusively for this feature.
- **Proximity to Europe** — From Germany, it can be cheaper to travel to Nova Scotia than to a vacation property in other areas of Europe, e.g., Sweden. From the Halifax airport, vacation properties are as close as a half-hour drive away.
- **Nova Scotia's clean air and environment** — This is a major attraction, especially to those wanting to

## Non Resident Property Owners 1985-1994



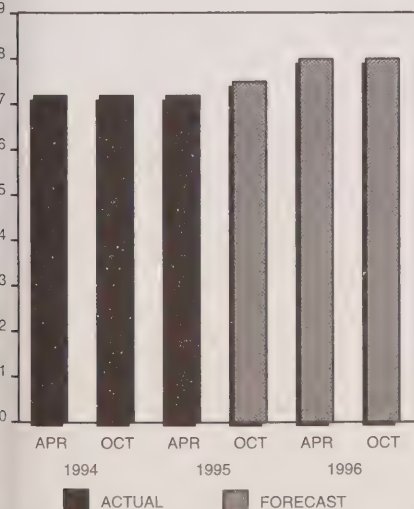
escape from congested urban centres.

The buyers most willing to spend large amounts of money come from Germany, Austria and other areas of western Europe. They tend to be middle-class to wealthy Europeans, purchasing lots of approximately 3.5 acres.

There are two ways in which they find out about the Nova Scotia market. A few Nova Scotian real estate agents successfully promote the province at real estate fairs in Europe. And, visitors make their own inquiries after discovering for themselves Nova Scotia's best kept secret.

## Halifax Vacancy Rate (3 units or more, privately initiated)

(per cent)



SOURCE: CMHC.  
1995-96 Forecast.

However, the rental market will not show any improvement in 1995 or 1996, as demand remains weak and the number of available older apartment units continues to grow.

Vacancy rates in Nova Scotia's urban centres will increase over the short term. Metro Halifax, the greater

Sydney area and New Glasgow will have the highest vacancy rates, while Truro and Kentville will remain balanced. Rents will be generally low with few landlords attempting to boost them. ■

## Key Provincial Indicators NOVA SCOTIA

	1994	1995 <sup>(F)</sup>	1996 <sup>(F)</sup>
Real GDP (% Change)	1.3	1.9	2.0
Employment (% Change)	3.3	0.8	1.3
Unemployment Rate (%)	13.3	12.9	12.7
Housing Starts (Units)			
Total	4748	4550	4400
Singles	3358	3125	3200
Multiples	1390	1425	1200
MLS Sales (Units)	7140	6800	6700
Average MLS Price (Dollars)	91109	90000	91000

SOURCES: CMHC, The Canadian Real Estate Association and Statistics Canada.  
(F) Forecast by CMHC.



# New Brunswick

by Bruce Read and Todd Selby

## Highlights

- Natural resources to lead growth
- Residential construction to improve in 1996
- House prices will fall this year
- Apartment construction to remain soft

## Residential construction in decline

Single-family home starts in New Brunswick fell by almost 50 per cent during the first half of 1995 compared with 1994. Several factors brought on the decline. Demand from first-time buyers began to fade, while move-up buyers remained cautious due to

worries about job security. Higher mortgage rates earlier in the year also added to consumer caution.

Construction slowdowns were evident around the province, with both urban and rural areas experiencing a 50-per cent drop. Saint John, the province's biggest centre, saw starts activity decline by 61 per cent.

The resale market, however, posted modest growth as sales through the local real estate boards grew by 1.6 per cent from January to June, compared to the same period last year. Nevertheless, supply outstripped demand with active listings up significantly at all real estate boards in the province. This imbalance between supply and demand pushed the average house price down by 2 per cent.



\$265 million spent on New Brunswick highways.

In addition, New Brunswick's reputation as a "wired" province will increase, as its telecommunications industry grows. One example of this growth is the recently opened Royal Bank call centre in Moncton, which will employ more than 700 people by the year 2000. More telecommunications business should follow as the advantages of locating in New Brunswick become better known.

Moncton's economy will also get a boost from non-residential construction. With several projects totalling well over \$100 million currently underway, local trades people will remain busy for at least another year.

Economic activity in Fredericton will remain stable over the year. Several projects, such as the start-up of the United Parcel Service office and the construction of new retail facilities, will ensure employment gains for the area.

Saint John will be the one area of the province to see little economic growth over the next couple of years. The Canadian frigate program is due to end by June 1996, resulting in substantial staff reductions at the Saint John Shipyard. During this summer, the shipyard, which currently employs 2,500 people, could lose as many as 100 jobs a week.

## 1995-96 Outlook

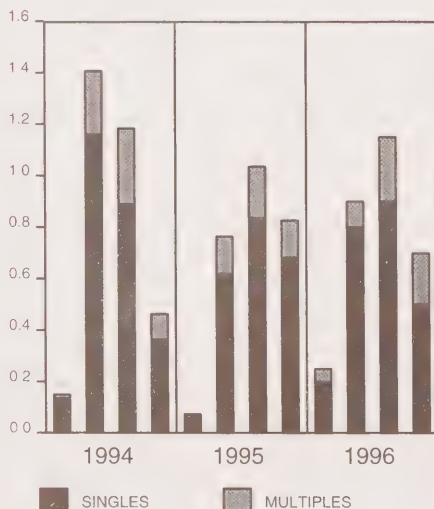
### Pulp and paper will lead economy

After going through several lean years, the pulp and paper industry in New Brunswick has started to resurge. Pulp prices have almost doubled since early 1994, and mill operators are expected to invest in capital improvements this year and next. Virtually all of the mills in the province have already made the investment or plan to do so in the near future. This bodes well for the northern areas, where forestry is the mainstay of the economy.

Highway construction will also boost the province's economy over the next 12 months. A recent agreement with the federal government will see

### Housing Starts NEW BRUNSWICK

(thousands of units)



SOURCE: CMHC.  
1995-96 Forecast.

### Construction activity to improve this fall

Home builders around the province will continue to search for the elusive move-up buyer this year. New single-detached construction will decline by



over 13 per cent to just 2,200 home starts by year-end. This will be the lowest level of single starts seen since 1991 when construction totalled just 2,154 units.

By this fall, however, residential construction will begin to expand as the mortgage-rate slide earlier in the year brings buyers back to the market. This increased activity will not be enough, however, to push 1995 starts above the 1994 total. Only in 1996 will the market momentum be sufficient to sustain growth. The slowdown in new-house construction will hit most areas of the province for a variety of reasons.

In Saint John, consumer caution caused by concern over job security will pull construction down to a low not seen since 1991.

Activity should also drop off in Moncton, although its new-home market is still relatively healthy. Moncton's decline will bring starts back to traditional levels after a boom year in 1994, when construction jumped by 27 per cent. Similarly, the Fredericton market surged to meet pent-up demand in recent years, but will now fall back to more normal levels.

Only the northern areas of the province will see the starts pace pick up in 1995. The strong recovery in forestry coupled with improvements in the mining industry bodes well for area builders. This will result in a higher number of starts, but activity will remain below pre-recession levels for yet another year.

Like the single-family home sector, the multiple market will decline this year. With vacancy rates rising, the strong activity of recent years cannot be maintained. Therefore, apartment starts will fall, totaling just 500 new units for 1995. By next year, vacancy rates will recede in most urban centres and financing will become more attractive. This will make room for projects in 1996.

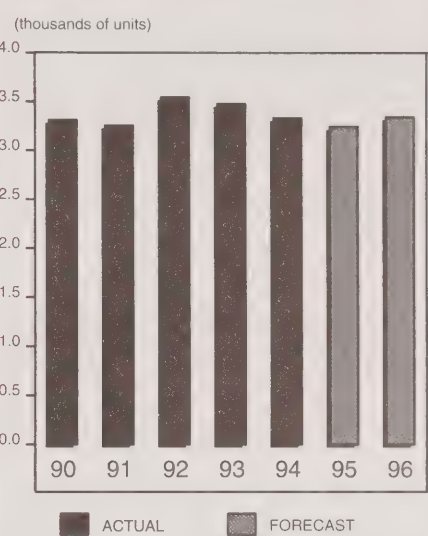
### Realtors will see sales slip in 1995

The existing-home market will experience a slight downturn in 1995 before improving in 1996. The decline will be due to reduced activity in Fredericton, but more so in Saint John.

In the Fredericton region, sales will ease slightly after three strong years, yet will still be well above traditional levels. And local realtors can expect a busy 1996, thanks to increased economic activity this year and next. Saint John, however, will see sales drop well below 1994 levels over the next two years. Consumers here will be reluctant to buy homes because of job losses expected with the end of the Canadian Frigate Program in June 1996.

The Moncton resale market will limit the provincial downturn, with a record 1,100 sales expected this year. Strong consumer confidence and low prices will contribute to the increase in homes sold through Moncton's real estate board. Similarly, the recovery of the resource sector and rising job security will boost resale markets in the northern areas of the province.

**Residential MLS Sales  
NEW BRUNSWICK**



SOURCE: The Canadian Real Estate Association  
CMHC: Forecast.

This year, the average resale price will decline again, by 2.6 per cent to an affordable \$82,000. With all real estate boards reporting an increase in listings, buyers are in an enviable position. This will allow for a great deal of discounting from the original list price. ■

Key Provincial Indicators NEW BRUNSWICK			
	1994	1995 <sup>(F)</sup>	1996 <sup>(F)</sup>
Real GDP (% Change)	1.7	2.4	2.4
Employment (% Change)	0.7	2.9	1.3
Unemployment Rate (%)	12.4	11.5	11.1
Housing Starts (Units)			
Total	3203	2700	3000
Singles	2547	2200	2400
Multiples	656	500	600
MLS Sales (Units)	3339	3250	3350
Average MLS Price (Dollars)	84148	82000	83500
SOURCES: CMHC, The Canadian Real Estate Association and Statistics Canada. (F) Forecast by CMHC.			



# Quebec

by Mario Vachon



## Highlights

- 1995 housing market: first half a write-off
- Slight hope for improvement late in the year
- Activity to pick up again in 1996

## First half of 1995 best forgotten

In the first half of 1995, the Quebec housing market posted its lowest level of activity of the last 13 years. Indeed, the residential construction and resale markets registered declines of 39 per cent (12,446 starts) and 20 per cent

(17,927 MLS sales) respectively compared to the first six months of 1994.

This sharp housing-market decline can be explained by a general deterioration in the main economic variables. In particular, high mortgage rates early in the year and a lower rate of job creation over the past 12 months have undermined householders' confidence in the economy. This is confirmed by the Conference Board of Canada's Index of Consumer Attitudes for Quebec which is at its lowest level since the 1990-1991 recession. In addition, 60 per cent of Quebec households do not think that this is a good time to make major purchases such as houses.

What's more, first-time buyers, the mainstay of the housing market over the last few years, were not very visible this year. This is evident from the 28 per cent drop in participation in the federal five-per-cent downpayment program which is targeted to first-time buyers. As a result, sales of products appealing to this market segment, i.e., semi-detached and row houses, as well as condominiums, fell by 50 per cent.

Move-up buyers were very quiet during the first half, due in part to the lack of first-timers on the market. Single-detached housing starts dropped by 31 per cent, and this downturn in construction was particularly evident in metropolitan areas where homeownership costs are the highest.

Rental starts fell by 36 per cent compared to the first half of 1994. The weakness of this market is the result of low migration and lack of jobs for young workers. The situation is exacerbated by a surplus of rental units (The vacancy rate was 5.7 per cent in April 1995.) These trends are far from

encouraging for developers waiting for positive signs from the market.

Resale market conditions also worsened. Whereas MLS sales decreased by 20 per cent in the first quarter, the number of new houses for sale remained high (64,013 units), widening the imbalance between supply and demand. This created direct downward pressure on prices. The average MLS transaction price slipped by 1.5 per cent to \$99,800. The resale sector thus continues to be a buyers' market.

## 1995-96 Outlook

### Upturn expected in 1996

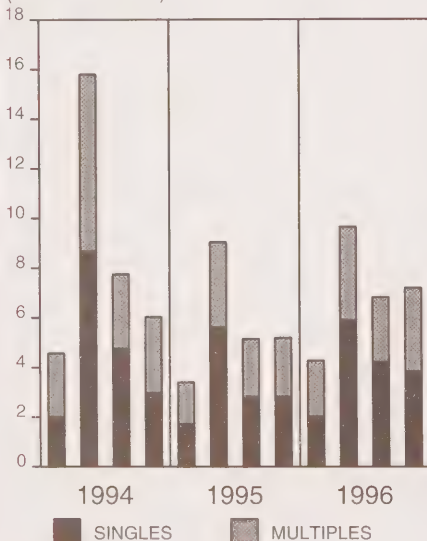
After a difficult first half, Quebec's housing market will gradually improve towards the end of the year and begin 1996 on an upturn. In 1995, starts will total 22,800 units, a decline of 33 per cent over 1994. Construction activity will improve in 1996, with a 23 per cent increase in housing starts expected for a volume of 28,000 units.

The resale market will follow a similar trend. The first quarter downturn will reverse over the next six months leading to a total of 28,700 MLS transactions for the year. This is down 15 per cent from 1994. For 1996, the resale market will post an increase of 9 per cent for a total of 31,300 sales.

Housing market stakeholders will finally see some signs of improvement at the end of this year. More affordable mortgage rates will rekindle consumer interest in homebuying and gradually build up confidence in the economy.

## Housing Starts QUEBEC

(thousands of units)

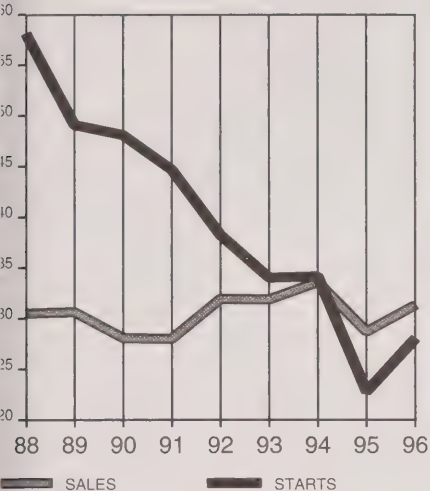


SOURCE: CMHC.  
1995-96 Forecast.



## Evolution of the Housing Market QUEBEC

(thousands of units)



SOURCES: CMHC and The Canadian Real Estate Association.  
CMHC: Forecast.

## Consumer Confidence Index QUEBEC

Index 1991=100



SOURCE: The Conference Board of Canada.

The momentum of the housing market upturn in 1996, however, will depend entirely on the extent to which consumer confidence in the economy improves. Quebec households already carry a hefty debt load and are worried about their finances. To expect them to start spending to fuel the economy in general, and the housing market in particular, is asking a lot. This is especially unlikely if interest rates become more volatile and job creation stays weak over the next few months.

Thus, after posting growth of 3.4 per cent in 1994, the increase in gross domestic product will be a modest 2.2 per cent in 1995 and will continue growing to 2.4 per cent in 1996. According to this scenario, the labour market will generate 54,000 jobs in 1995 and 64,000 in 1996. This will help build consumer confidence in Quebec.

First-time buyers will still be restrained during the second half of 1995, but a general economic improvement will gradually tempt them back on the market in 1996. Low interest rates and better employment conditions for the 25-to-44 age group will undoubtedly motivate potential young homeowners to take action in 1996. As a result, demand will increase for semi-

detached and row houses, with a forecasted 15-per-cent rise in starts compared to 1995. Condominium projects will rebound, posting a 37 per cent increase in starts.

Thanks to a more vigorous resale market and to better employment opportunities for people aged 45 years and over, move-up buyers will be more active on the housing market in 1996. A 23-per-cent increase in singles starts is thus expected.

As for rental construction, the downturn which has persisted since 1987 will bottom out in 1995, followed by a slight improvement in 1996. The expected employment gains for the 15-to-24 age group and increased migration will bring vacancy rates down to 6.5 per cent in October this year, with a further decrease to 5.7 per cent in April 1996. These small gains will not be enough, however, to make much difference. The market is heavily weighted in favour of tenants as rent increases below the rate of inflation demonstrate. ■

## Key Provincial Indicators QUEBEC

	1994	1995 <sup>(F)</sup>	1996 <sup>(F)</sup>
Real GDP (% Change)	3.6	2.2	2.8
Employment (% Change)	2.5	1.7	2.0
Unemployment Rate (%)	12.2	11.7	11.5
Housing Starts (Units)			
Total	34154	22800	28000
Singles	18414	13000	16000
Multiples	15740	9800	12000
MLS Sales (Units)	33575	28700	31300
Average MLS Price (Dollars)	102242	101000	101600

SOURCES: CMHC, The Canadian Real Estate Association and Statistics Canada.  
(F) Forecast by CMHC.



# Ontario

by Alex Medow



## Highlights

- Resale markets rebound
- Most provincially assisted home construction cancelled
- Record low starts this year
- Low interest rates and migration will help new construction

## Resale rebound tempers first-half slump

Higher interest rates, job losses and limited income growth combined to shatter consumer confidence and home markets in Ontario at the beginning of 1995. In the second quarter, however, interest rates dropped, giving resale markets a chance to bounce back.

Resales recovered earlier than new-home construction because the existing-home sector is dominated by first-time buyers, who are sensitive to lower borrowing costs. By June, all of the province's 10 major metropolitan areas registered noticeable resale increases. The strongest markets, as measured by the sales-to-new listings ratios, were in Oshawa, Toronto and Windsor.

By contrast, residential construction activity was very weak throughout the first half of 1995. Second-quarter home starts plunged to the lowest level seen in almost 13 years. This brought first-half starts down 23.8 per cent compared to the same period last year. The declines were in the singles, semi-

detached and row-house markets. Construction of condominiums earlier this year bucked the trend and boosted apartment starts.

Home starts are expected to rise again, beginning in the second half of 1995. In fact, new home markets are already showing signs of improvement as builders report rising numbers of people shopping for homes. New-home prices have fluctuated but generally have been soft across the province's major metropolitan areas. Toronto and Windsor demonstrated modest New House Price Index inflation this year. London, Ottawa and St. Catharines registered the largest declines.

## 1995-96 Outlook

### Low interest rates and migration will boost housing demand

Ontario's economy took big strides forward last year, but leading indicators suggest that 1995 will be slower.

In 1994, the province's economic performance was its strongest since 1988, with real GDP advancing 4.5 per cent. The province's employment numbers are more timely than GDP data, however, and they show that last year's rapid job growth was followed by moderate job losses at the outset of this year. Almost half of those jobs were recovered by June, but they were part-time, which did little to boost housing demand.

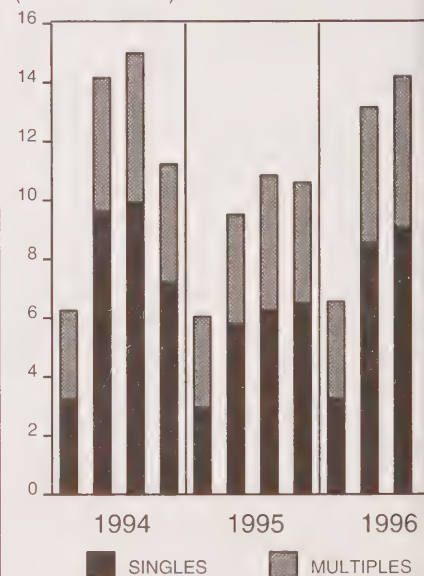
Provincial budget cuts, federal spending restraint and the economic slowdown in the United States will hold this year's job creation to a pace below traditional economic expansions. Growth in private-sector employment will tend to offset government job losses.

The longer-term main demographic influence remains the aging of the population and the movement of Ontario's baby boomers from first-time home purchases into second- and higher-round buying.

In the short-term, however, housing demand will get a demographic boost from three sources of migration: 1) Ontario will gain residents from other

## Housing Starts ONTARIO

(thousands of units)



SOURCE: CMHC.  
1995-96 Forecast.



# Homeownership costs dive

Recent interest rate declines have brought mortgage carrying costs for Ontario's average resale home down to their lowest level since February of last year and given resale markets a much needed boost.

Higher interest rates in the second half of 1994 and the beginning of this year had boosted home-ownership costs, but only moderately by historical standards. The increase, however, proved to be too much for the province's cautious homebuyers. Seasonally adjusted home sales plummeted to a 10-year low in February of 1995.

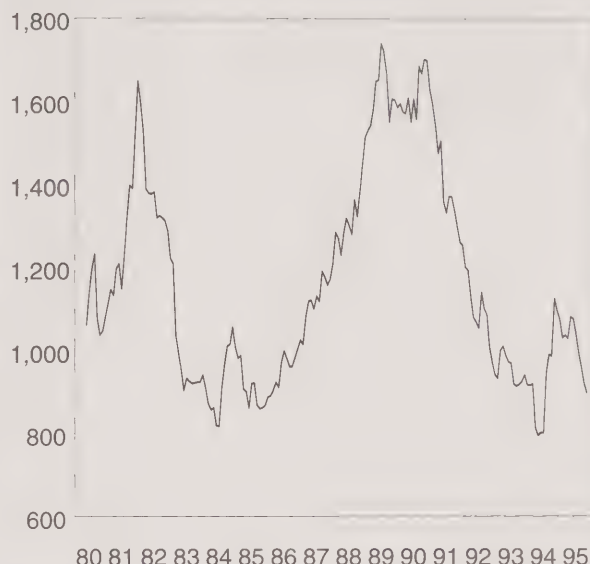
Expensive purchases such as homes and cars require long-term financial commitment. Ontario's consumers have been cautious about such commitments because of the lack of disposable income growth in the 1990s and worries about job security. The employment concerns are not surprising since Ontario has not yet recovered all of the jobs lost in the first two years of this decade.

The table below shows how mortgage carrying costs have fluctuated in recent years. The first column in the table illustrates peak carrying costs in Ontario's major metropolitan areas for average MLS-priced homes. High home prices brought about by heavy migration and strong job growth in the second half of the 1980s' played a key role in boosting monthly payments during the peak period.

The second and third columns compare cost peaks to post-recession troughs. In most centres these occurred in January and February of 1994, when mortgage rates fell to 30-year lows. Significant declines in real house values in the early 1990s, especially in central Ontario, helped bring carrying costs down.

**Ontario's Real Monthly Payment**

P&I, \$1994



Source: CREA, MLS price, 25% dp., 25-yr. loan, 3-yr. rate Ontario CPI deflated.

The last four columns demonstrate subsequent mortgage-rate-driven carrying cost spikes and the low costs of June of 1995.

Costs are expressed as constant 1994-dollar monthly principal and interest payments on a mortgage equal to 75 per cent of the seasonally adjusted MLS price. Three-year mortgage rates and a 25-year amortization period were used in these calculations.

Major Metropolitan Area	Carrying Cost Peak Mar 89-Jul 90	Carrying Cost Trough Nov 93-Feb 94			Carrying Cost Spike Jun 94-Dec 94			Current Carrying Cost June 1995		
	(\$1994)	(\$1994)	(%)		(\$1994)	(%)		(\$1994)	(%)	
Hamilton	1,600	730	-54.4		1,010	38.4		810	-19.8	
Kitchener	1,560	700	-55.1		1,010	44.3		790	-21.8	
London	1,380	660	-52.2		980	48.5		810	-17.3	
Oshawa (Durham)	1,860	690	-62.9		990	43.5		790	-20.2	
Ottawa	1,360	705	-48.2		1,020	44.7		810	-20.6	
St. Catharines	1,310	630	-51.9		890	41.3		670	-24.7	
Sudbury	1,090	570	-47.7		820	43.9		640	-22.0	
Thunder Bay	1,010	590	-41.6		790	33.9		640	-19.0	
Toronto	2,610	1,030	-60.5		1,430	38.8		1,140	-20.3	
Windsor	1,080	570	-47.2		840	47.4		660	-21.4	

SOURCES: Average MLS price data are from The Canadian Real Estate Association's "Monthly MLS Statistical Survey". Constant dollar monthly carrying cost estimates are by CMHC.



parts of Canada; 2) a larger share of Canada's immigrants are predicted to come to the province; and 3) the population of non-permanent residents will stabilize.

May and June growth in home resales is a sign of a pending recovery in new-home construction. Low mortgage rates, predicted for the remainder of this year, will encourage sales of existing homes, especially among first-time buyers. The slow pace of construction activity in the first half of 1995, however, will result in the lowest annual starts number in over 40 years.

In the second half of this year, single-detached home starts will benefit from

a spill-over of sales activity from a more active resale market. The pace of multiple-family home starts will be tempered by the Ontario government's cancellation of assistance to most non-profit housing projects.

At this stage of the housing cycle, first-time buyers still offer builders in the ownership market the most potential business. With mortgage rates down, more first-time buyers can consider affordable new homes.

In addition, the standing inventory of completed and unoccupied condominium units has shrunk in the last three years. This increases the likelihood of future condominium construction. Vacancy rates are also falling, which will stimulate construction of rental multiples.

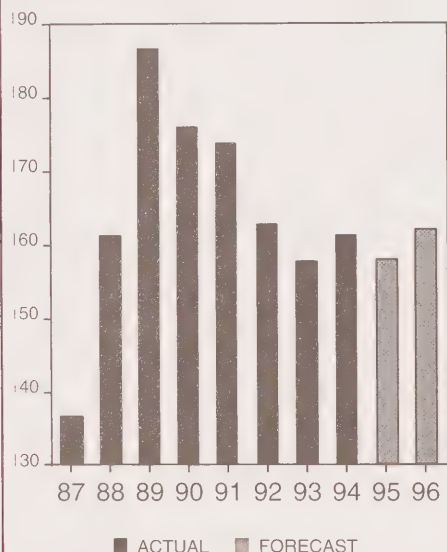
Vacancy-rate declines are predicted in all of Ontario's major metropolitan areas, with the lowest rates forecast for Oshawa, Toronto and Windsor.

Oshawa's surplus rentals will drop as lower interest rates lift year-end production at the GM plant. A steady flow of immigrants will keep vacancy rates low in Toronto. Windsor's rental demand will be due to an economic boost from major construction projects and healthy investment in the auto industry over the past few years.

Ontario's average resale home price is forecast to edge down in 1995, but increase modestly at, or under, the general rate of inflation next year. Move-up buyers will remain cautious until next year, when Ontario's markets hit the turning point of the price cycle and they can again expect gains in home equity. ■

### Modest MLS price rebound next year ONTARIO

(thousands of dollars)



SOURCE: The Canadian Real Estate Association.  
CMHC: Forecast.

### Key Provincial Indicators ONTARIO

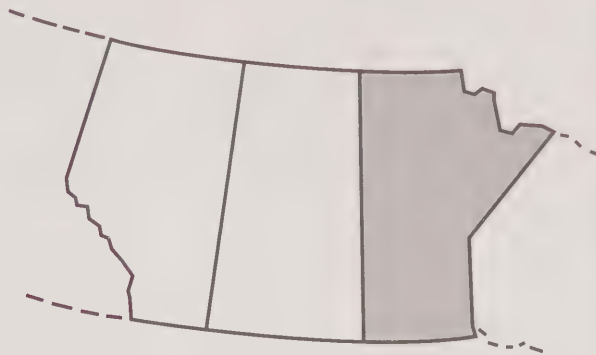
	1994	1995 <sup>(F)</sup>	1996 <sup>(F)</sup>
Real GDP (% Change)	4.5	3.0	2.8
Employment (% Change)	1.4	1.8	2.1
Unemployment Rate (%)	9.6	8.8	8.4
Housing Starts (Units)			
Total	46645	37000	45500
Singles	30036	21500	28000
Multiples	16609	15500	17500
MLS Sales (Units)	130099	114000	127000
Average MLS Price (Dollars)	161260	158000	162000

SOURCES: CMHC, The Canadian Real Estate Association and Statistics Canada.  
(F) Forecast by CMHC.



# Manitoba

by Richard Goatcher



## Highlights

- Economy slows in 1995, but growth continues into 1996
- Housing markets to falter this year and regain ground in 1996
- Resale prices to rise in 1996 with more move-up sales

## Housing demand weak in first half of 1995

Despite job-market improvements and an interest-rate decline that began in February, Manitoba's housing sectors showed little activity in the first half of the year. Lack of real income growth

and consumer concerns about job security put a damper on markets well into spring.

Starts activity was particularly weak in Manitoba's urban areas. In Winnipeg, the construction industry was slowed by a large surplus of unsold homes.

Resales also sagged, although some improvement was evident in May. Average resale prices tumbled due to weaker sales in up-scale housing.

Construction of new multiples dropped off as well, but this at least will allow Winnipeg's apartment vacancy rate to decline some more. Condominium resales, a hot item in Winnipeg during the past few years, fell too, although not as much as single-unit resales.

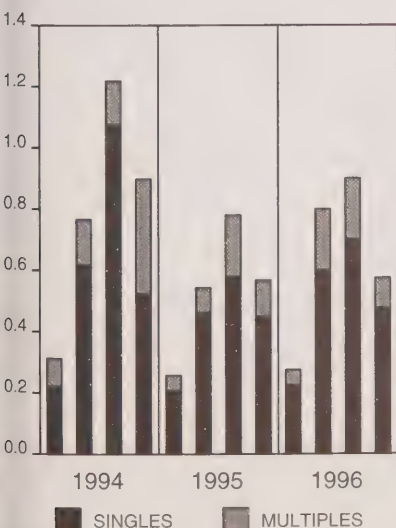
Prairie. However, the industry is going through restructuring linked to changes in the rail transport subsidies. This will cause some consumer uncertainty and moderate growth.

Northern Manitoba's resource industries face a brighter outlook due to rising prices for base metals and forest products. The resultant higher incomes and increased consumer spending should boost housing markets in northern communities such as Thompson, Flin Flon and The Pas.

In Winnipeg, economic growth will be sustained by continued manufacturing strength and infrastructure spending, as well as by an expansion of business services. These private sector advances will be offset somewhat by

## Housing Starts MANITOBA

(thousands of units)



SOURCE: CMHC.  
1995-96 Forecast.

## 1995-96 Outlook

### Economy set for continued recovery

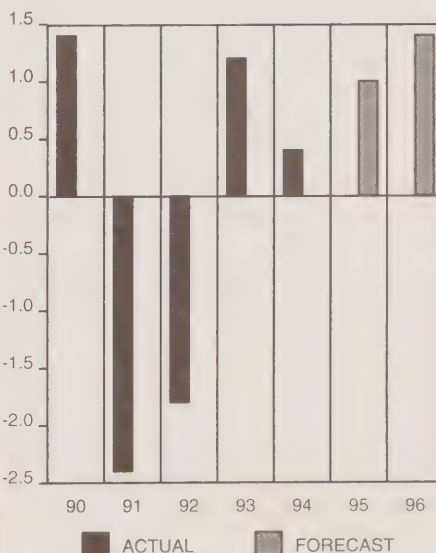
Manitoba's economy continues to grow in 1995, albeit at a more moderate pace than last year. Most of the job gains of the last 12 months took place in the second half of 1994.

Strong exports continue to drive the recovery in Manitoba's manufacturing sector, although shipments are expected to ease this year due to rising inventories in Canada and a slowing U.S. economy.

Agriculture is still healthy, with rising commodity prices boosting farm receipts and the economies of service centres such as Brandon and Portage la

## Job Creation MANITOBA

(per cent change)



SOURCE: Statistics Canada.  
CMHC: forecast.



government belt-tightening in areas such as defence, health care and education, curbing income increases. As well, restructuring of some major transportation-sector players will affect hundreds of jobs and temper employment growth.

Overall, consumer spending should increase in the second half of 1995, stimulated by falling interest rates and continued job creation. In 1996, housing demand will strengthen gradually as the economy maintains a slow but steady recovery. These improvements will be restrained, however, by rising mortgage rates.

### After disappointing 1995, buyers to regain confidence in 1996

Housing activity will drop to near recessionary levels in 1995, but strengthen again in 1996.

Total housing starts will barely exceed 2,000 units this year the poorest performance since 1991. No recovery can be expected until well into the fall because of a large surplus of new single-detached homes in Winnipeg.

Sales of existing homes in the province's four major centres are expected to drop to their lowest levels in five years. But resale volumes will rise in the second half of this year, and this, in turn, will help firm up demand for new homes by the fourth quarter.

A marked decline in move-up sales will cause existing-house prices to fall well below last year's average. Condominium resales in Winnipeg will also drop, but still reach 1993 levels of over 600 units. Their prices will dip too as supplies of better-quality conversion

units dwindle, giving way to more sales of older, moderately priced apartments.

Although Winnipeg's vacancy rate continues downward this year, construction of apartments and townhouses will remain minimal. Years of chronically high vacancies have kept rents well below the levels required to support new rental construction. This, along with an end to public sector involvement in apartment construction, has resulted in fewer new multiple developments this year. Seniors' life-lease and condominium projects will be targeted to a few communities where apartment vacancies have remained low for the past few years. Starts totals, however, will remain modest.

In 1996, a sustained economic recovery and improved consumer confidence, combined with affordable prices, will boost both new and resale markets in Manitoba. Demand for new homes will gradually rise, with total new construction to exceed 2,500 units

next year. Move-up buying will take off again, boosting sales of trade-up homes and increasing average prices. The modest gains in resale prices will, in turn, promote opportunities for new home sales, bringing single-detached starts to 2,000 units next year.

With fewer better-quality rental units available for condominium conversion in Winnipeg, multiple starts will get a boost next year. Rental apartment vacancies in Winnipeg will drop below 4.5 per cent in the CMHC April survey, representing the lowest level since April 1988.

With low production of new apartments, vacancies in many suburban areas will fall below 3 per cent, putting some upward pressure on rents. However, Winnipeg's downtown rental market remains oversupplied. This will limit the city's appeal as a site of new apartment projects until later in the decade. ■

#### Key Provincial Indicators MANITOBA

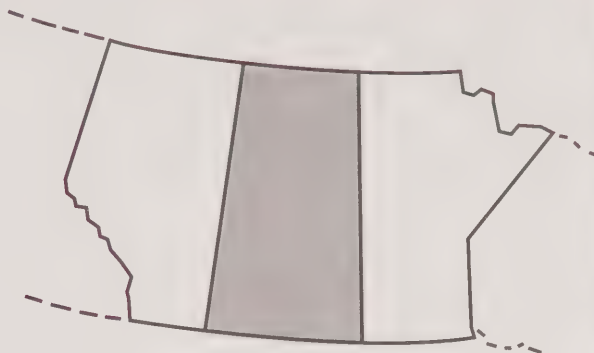
	1994	1995 <sup>(F)</sup>	1996 <sup>(F)</sup>
Real GDP (% Change)	2.6	2.0	2.0
Employment (% Change)	0.4	1.0	1.4
Unemployment Rate (%)	9.2	8.8	8.7
Housing Starts (Units)			
Total	3197	2150	2550
Singles	2441	1700	2000
Multiples	756	450	550
MLS Sales (Units)	10825	9500	10000
Average MLS Price (Dollars)	83761	82000	83500

SOURCES: CMHC, The Canadian Real Estate Association and Statistics Canada.  
(F) Forecast by CMHC.



# Saskatchewan

by Paul Caton



## Highlights

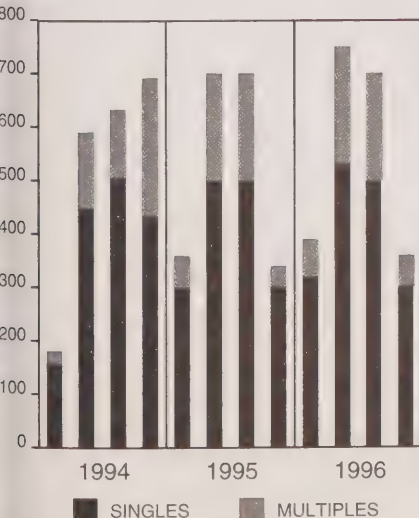
- Vacancy rates low in cities
- Economy to grow over next two years, but job creation limited
- Condominiums becoming popular choice

## Rental demand high in urban centres

Large numbers of lower-income families continued to flood the rental markets of all Saskatchewan major cities this year. As a result, vacancy rates in many centres have dropped, continuing a decline that has seen the vacancies fall by more than 50 per cent in the last five years.

## Housing Starts SASKATCHEWAN

(units)



SOURCE: CMHC.  
1995-96 Forecast.

In April 1995, the average apartment vacancy rate in Saskatchewan cities was only 2.6 per cent. CMHC considers a vacancy rate of 3 per cent to be a balanced market that gives renters sufficient choice of units and provide reasonable returns to landlords.

In the resale market, demand has been steady, restricted only by a lack of listings. In fact, in the period 1989 to 1995, listings plummeted by more than 50 per cent. As a result, a sellers' market prevails in many popular city neighbourhoods.

Housing demand in Saskatchewan is generated by in-migration, aging of the population and people's life-style changes. Low-income migrants create demand for rental housing, first-time homeowners strengthen the resale market and empty-nesters fuel the market for new condominiums. In addition, there is some activity in the construction of move-up, single-family homes.

## 1995-96 Outlook

### Economy growing but job creation low

Supported by strong primary industries, Saskatchewan's economy will continue to grow this year. Most of this expansion is in capital-, rather than labour-intensive sectors, and will result in little job creation. More jobs are needed to increase income which would lead to growth in households and demand for new housing stock.

Resource-based and manufacturing industries are enjoying healthy, expanding markets. In contrast, the services sector will be slowed by government restraint.

In agriculture, Saskatchewan farmers seeded a record 33.13 million acres this year. Higher freight rates have been offset by higher prices for grains (especially wheat) and oil-seeds, resulting in a rush to produce value-added products.

Statistics Canada estimates that 1994 net realized farm income was up 81 per cent from 1993. This was mostly due to higher crop receipts and despite a 58 per cent cut in subsidies. For 1995, the agency forecasts a significant decline in net realized income.

Potash mining is producing at record levels, and new markets are opening every day. The pulp and paper industry has seen expansions of plants in Prince Albert and Meadow Lake. Oil and gas exploration is expected to drop off from 1994 levels, yet continues to help drive the economies of many communities.

### Job-market jitters to limit housing markets

Housing demand will hold steady in 1995 and 1996, limited by a lack of job growth.

Although demand is steady, rental starts will be down because rents are too low to support new construction. Rental housing is the choice of seasonal workers, students and low income families whose low household incomes limit rental rates. Property



owners are reluctant to raise rents for fear of losing good tenants.

Although resales are moving well, there have been some dampers to demand. A large percentage of families now renting could afford to purchase a home, but seem to be holding back. Their caution is due to poor job prospects. It may also result from a squeeze on disposable income caused by high provincial taxes.

The province can expect about 1,445 single-family starts in 1995, climbing to just over 1,500 units in 1996. The driving force of the new single-detached market is currently the move-up consumer. Since move-up buyers form a relatively smaller market in 1995, however, demand for singles is down. First-time buyers are less active here because resale prices have not increased enough to make new homes seem a tempting alternative.

The bright spot in the new construction market is the growing popularity of condominium housing among empty-nesters. Unlike first-time and move-up buyers, empty-nesters and seniors are an expanding demographic group promising greater potential demand. Moreover, these older consumers are not as affected as are younger people by factors such as unemployment and rising mortgage rates.

Over the last two or three years, Saskatoon had the lion's share of condominium development. But recently, this type of construction has increased in Regina and the province's smaller cities including Moose Jaw, Prince Albert and Swift Current. Other smaller cities should follow suit, as all Saskatchewan urban populations have a similar age structure. In 1995, most of the 435 multiple units built in the province will be condominiums. The total number of multiple starts will rise to 555 in 1996. ■

## Migration impacts on Saskatchewan's rental market

Saskatchewan's rental markets have gone through a number of ups and downs in recent years. A major cause has been changing patterns of migration. Flows of people in and out of the province, and within the province, have had dramatic impacts on the rental scene.

For example, Saskatchewan's in-migrants typically move into rental apartments. As well, from 1988 to 1990, high rates of out-migration had catastrophic effects on all Saskatchewan housing markets, but especially the rental sector. This was because many lower-income households and young people the main clientele of rentals moved to provinces with better economies and more jobs.

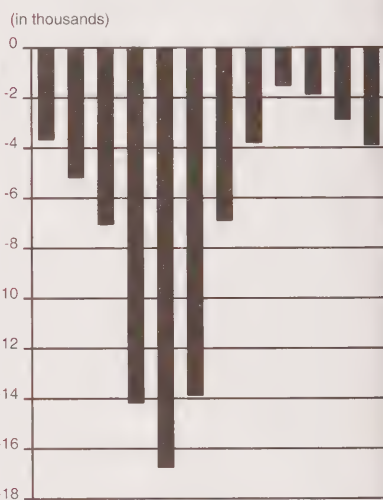
Over the last two to five years, the trend has reversed. Rental markets have greatly improved because in-migration has increased while out-migration has declined.

Although large numbers of young people still left this province in recent years, lured by jobs in Alberta, British Columbia, Manitoba and Ontario, the outflow has eased. Job creation has fallen in all provinces, with little growth in the service and construction sectors traditional youth employers.

This, and the fact that housing costs are lower in Saskatchewan compared to other provinces, have induced more of Saskatchewan's youth to stay home.

Migration within the province has also played a role in boosting rental markets. A lack of jobs in rural areas has led many people of Saskatchewan especially young people and single-parents, to migrate to cities, where services, jobs and education are more readily available. This movement of people has caused a tumbling of vacancy rates in the province's centres cancelling the effect of first-time buyers moving from rental housing to their own homes.

### Total Net Migration SASKATCHEWAN



SOURCE: Statistics Canada.

### Key Provincial Indicators SASKATCHEWAN

	1994	1995 <sup>(F)</sup>	1996 <sup>(F)</sup>
Real GDP (% Change)	4.5	3.0	2.5
Employment (% Change)	0.4	0.7	0.4
Unemployment Rate (%)	7.0	6.1	5.5
Housing Starts (Units)			
Total	2098	1880	2060
Singles	1542	1445	1505
Multiples	556	435	555
MLS Sales (Units)	7459	7355	7400
Average MLS Price (Dollars)	72738	73551	74653

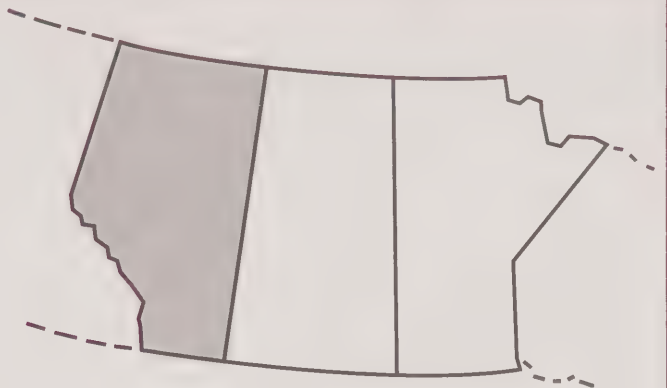
SOURCES: CMHC, The Canadian Real Estate Association and Statistics Canada.

(F) Forecast by CMHC.



# Alberta

by David Peever and Laurie Scott



## Highlights

- Construction falls to eight-year low
- Resales slow, prices decline
- Some hope for recovery in 1996

## Plumbing the depths in 1995

Widespread housing market weakness prevailed during the second quarter of 1995. Traditionally spring is the strongest season of the year for new- and resale-home sales, but this year buyers stayed away in droves.

Housing starts turned in their poorest second quarter since 1988; MLS sales were the lowest since 1990. Most

of Alberta's rental markets, posted the usual spring increase in vacancy rates. In Edmonton's case, that brought apartment vacancies up to a punishing 10.2 per cent. Alberta housing markets reached the bottom of their cycle during the first half of 1995.

Growth will soften further in 1996. Lower natural gas prices along with the final round of provincial public-sector cuts, the beginning of federal public service downsizing and the end of the National Infrastructure Program spending will stem next year's growth to 1.5 per cent.

## 1996-96 Outlook

### Economic growth slows

For the last two years, Alberta's housing market performance has not seemed consistent with the rest of the provincial economy. Alberta has led the nation in economic growth in recent years, while housing edged down after the 1992 peak. Economic growth will slow sharply in 1995, but, unlike housing, will remain positive.

A key factor is the decline in natural gas prices, which is now thought to be more persistent than previously expected. This, combined with a stronger Canadian dollar, which reduces the return on energy exports priced in U.S. dollars, is slowing oil and gas exploration. The provincial government reports a significant drop in land sales, a leading indicator of drilling activity.

Helping to offset the drop in exploration is growth in some of the smaller components of the provincial economy, such as forestry. Riding the wave of high paper prices, the new plants built in Alberta over the last decade are approaching capacity production. Lower natural gas prices benefit the petrochemical sector, which may attract new investment. Together, these factors will help maintain GDP growth at 2 per cent.

### Slow resale recovery begins in second half

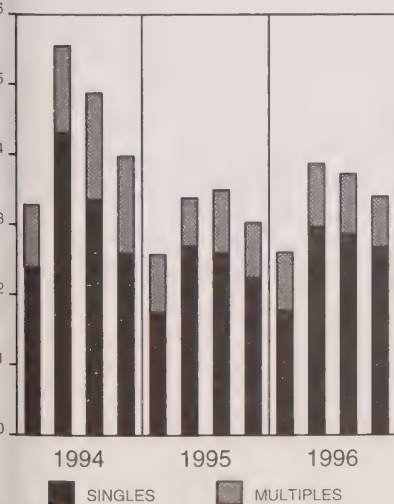
Modest improvement is forecast for existing-home sales, beginning in the third quarter. Earlier in the year, interest rates fell almost to last year's low level and this began to support the resale market. The second half will record a higher volume of resales than the first half, a departure from the usual seasonal pattern.

In Edmonton, sales will be supported by bargain prices, as values have declined under the influence of record high listings. Prices have also begun to edge down in Calgary, where sales have been rising for six months, albeit from depressed levels. In both centres, the resale market has been subject to fierce competition from an over-supplied new-home market, particularly in condominiums. Until new-home inventories and resale listings return to acceptable levels, balance cannot be restored to the province's resale markets.

Overall, Alberta MLS sales will decline by 11 per cent this year, dipping below 30,000 for the first time since 1987. The average MLS price will fall by 3 per cent, the first decline since 1985.

## Housing Starts ALBERTA

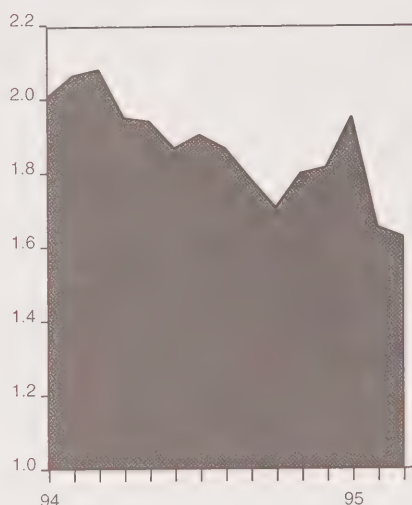
(thousands of units)



SOURCE: CMHC.  
1995-96 Forecast.



### Natural Gas Alberta Reference Price \$ per GJ



SOURCE: Government of Alberta.

### New construction grapples with oversupply

New-home inventories have risen to their highest levels since 1982, as speculative building programs have run into the brick wall of falling demand.

At current absorption rates, the June supply\* of new singles stood at 12 months in Edmonton, and 8 months in Calgary — compared to the benchmark of 4 months for a balanced market. As spec programs are scaled back, and builders' focus on selling off inventory, the oversupply will begin to correct during the second half. This sets the stage for a modest recovery during the early months of 1996.

\* Defined as the sum of pending starts, units under construction, and complete but unoccupied units, relative to average monthly absorptions during the last quarter.

The recovery next year will be constrained by slowing economic growth and reduced job creation. And further uncertainty over the direction of interest rates can not be ruled out. As inventory declines, however, any increase in demand will translate into a gradual increase in starts. With absorptions well below estimated housing requirements in 1995, there is a reasonable prospect for higher demand.

The market for new condominiums is not expected to share in the recovery. In contrast to the single-family market, inventories will remain high in Edmonton, and will rise in Calgary during the second half of 1995 as the large number of units started during 1994 are completed.

are lost in both the public and private sectors. In addition, some new supply may have been added in recent months, as the high level of condominium completions confronts rapidly falling ownership demand.

In stark contrast, apartment vacancies in Calgary dropped sharply in April, reaching their lowest level since 1991, at 4.6 per cent. It was the first time since 1989 that the vacancy rate fell between an October and an April survey, defying the usual seasonal pattern. Volatile interest rates and income insecurity encouraged Calgary renters to delay the decision to purchase homes, while at the same time migration to the city remains positive. ■

### Rental markets go in different directions

CMHC's April 1995 vacancy survey left Edmonton with the distinction of having the highest apartment vacancy rate of any major Canadian centre, at 10.2 per cent. The market has been undermined by falling demand, as jobs

#### Key Provincial Indicators

ALBERTA	1994	1995 <sup>(F)</sup>	1996 <sup>(F)</sup>
Real GDP (% Change)	5.7	2.0	1.5
Employment (% Change)	3.2	2.6	1.5
Unemployment Rate (%)	8.6	8.1	7.9
Housing Starts (Units)			
Total	17692	12500	13600
Singles	12671	9300	10300
Multiples	5021	3200	3300
MLS Sales (Units)	32512	29000	31500
Average MLS Price (Dollars)	117336	113800	115000

SOURCES: CMHC, The Canadian Real Estate Association and Statistics Canada.

(F) Forecast by CMHC.



# British Columbia

by Helmut Pastrick



## Highlights

- Sales begin to increase
- Job and population growth slows
- Higher mortgage rates in 1996 to hinder recovery

## Housing sales revive

Lower mortgage rates are luring first-time buyers back to B.C.'s housing markets and boosting sales of both new and existing homes. Markets began to revive in May, and this momentum grew in June and July. The short-term

sales outlook is reasonably good since rates are expected to stay down.

Despite this activity, a buyers' market still prevails due to a record number of homes for sale. Listings outnumber sales by 10 to 1, which is eroding prices. The record amount of inventory is partly due to high construction output in the past, but mostly the result of a large volume of existing-home listings. Record high prices mean large equity gains for many homeowners, which induces more of them to list on the market.

Construction activity has turned sluggish in response to the inventory build-up. Starts in B.C. are down from last year by about one third, more in some markets such as Vancouver Island. With the supply pipeline quite full, especially for apartment condominiums, new unsold inventory is climbing. But the reduction in starts will eventually lead to lower inventory levels.

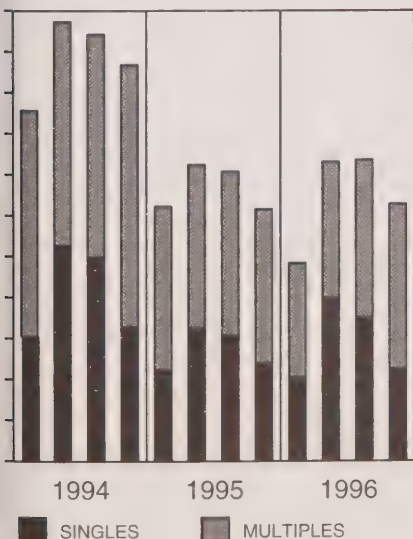
After two years of very high population growth, the pace of expansion in B.C. is easing. Interprovincial migration will be down in 1995 and in 1996, due to stronger economic growth in central Canada relative to B.C. Further, migration from foreign countries will decline due to the recently announced lower national immigration levels. The limited population increase will hold down the rise in housing demand in this province next year.

Job growth is faltering due to slowdowns in the U.S. and Canadian economies and a reduction in home-building activity. The trend will continue into next year when a lower rate of population increase will also curb job creation.

Although in-migration and job growth help drive housing demand in this province, interest rates are the predominant factor since the expensive B.C. housing market is very interest-rate sensitive. Changes in mortgage rates have a big impact on affordability, affecting first-time buyers the most. Without as many first-time buyers, trade-up and empty-nester buyers have a harder time selling their homes.

## Housing Starts BRITISH COLUMBIA

(thousands of units)



SOURCE: CMHC.  
1995-96 Forecast.

## 1995-96 Outlook

### Driving forces of housing demand gear down

Population and job growth are slowing down in B.C., two factors that will limit the increase in housing demand next year. But the key influence on demand will be interest rates. Their rise or fall will determine the behaviour of next year's markets.

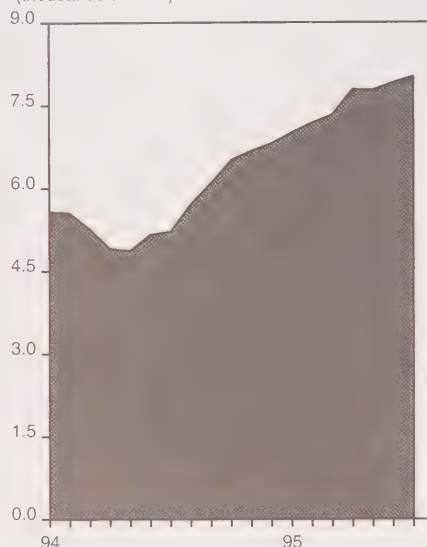
### Higher rates in 1996 an obstacle to sales recovery

Housing sales will trend upwards for the rest of this year, but higher mortgage rates in 1996 will hinder the recovery. For 1995 as a whole, MLS sales are forecast to drop by one quarter and



# **Newly Completed and Unsold Inventory — All Units, Centres 50,000+ Population BRITISH COLUMBIA**

(thousands of units)



SOURCE: CMHC.

to rise by only 10 per cent in 1996. The run-up in rates will slow down sales by mid-1996. The 10 per cent increase projected for 1996 is well below the 25 per cent gain normally seen in a recovery phase.

House prices will soften in the coming months. The number of listings will remain at a very high level but decline steadily until mid-1996. Lower housing prices will boost affordability, but higher mortgage rates will negate this benefit.

Under these conditions, residential construction is not expected to flourish in 1996. A large oversupply of units must first be bought up before construction can improve. Unsold inventory will hit a peak later this year and then decline through the beginning of next year. However, a weaker sales environment by mid-1996 will constrain a housing starts recovery.

Another factor limiting new construction is tight financing. Lenders are very cautious due to concerns about the high-cost B.C. market and the past experience of major market downturns both in B.C. and elsewhere. High preselling requirements, stringent project reviews and requirements that builders demonstrate financial strength translates into less activity than before.

Foreign investment in B.C. residential properties has slowed down and will probably remain slow for the next year or so. Some of the reduction is due to the steady decline in our currency during the last several years. Some is due to better investment opportunities in other countries or a need to keep investment funds at home. Also, the B.C. market may not be considered a good short-term investment since prices have risen so much in the past few years.

More first-time buyers are expected to enter housing markets over the next year as mortgage rates come down a little more. This will boost sales totals until rates rebound in mid-1996. The new apartment condominium market will benefit as will the existing-home market.

Inventory adjustment in the new apartment-condominium sector will go on for quite some time, since supply has been at record levels. The row-condominium sector is closer to a supply-demand balance, as is the new single-family sector. As a result, a recovery in row-condominium and single-detached starts may begin by early next year. However, this recovery could be very short-lived.

Rental market conditions are expected to change little over the forecast period. Vacancy rates will be below 2 per cent in most markets, and rent raises should be close to the CPI increase. Rental starts remain limited but the existing housing stock will provide much of the incremental supply of units.

The housing cycle is near the end of a contraction phase, but the rebound phase seems to be in some jeopardy because of an expected rise in interest rates. Higher rates will result in a moderate sales and starts recovery. Lower population and economic growth will also serve to limit housing market improvements. ■

## **Key Provincial Indicators**

### **BRITISH COLUMBIA**

	1994	1995 <sup>(F)</sup>	1996 <sup>(F)</sup>
Real GDP (% Change)	4.6	2.5	2.3
Employment (% Change)	4.0	1.7	1.4
Unemployment Rate (%)	9.4	9.0	9.1
Housing Starts (Units)			
Total	39408	26700	25800
Singles	16591	10975	11800
Multiples	22817	15725	14000
MLS Sales (Units)	75270	56100	61800
Average MLS Price (Dollars)	229514	221500	220400

SOURCES: CMHC, The Canadian Real Estate Association and Statistics Canada.

(F) Forecast by CMHC.



## Housing Starts

### Total (units and annual per cent change)

	1990	1991	1992	1993	1994	1995 <sup>(F)</sup>	1996 <sup>(F)</sup>
NFLD	3245	2836	2271	2405	2243	1875	1775
%	-8.2	-12.6	-19.9	5.9	-6.7	-16.4	-5.3
PEI	762	553	644	645	669	390	450
%	-6.5	-27.4	16.5	0.2	3.7	-41.7	15.4
NS	5560	5173	4673	4282	4748	4550	4400
%	3.8	-7.0	-9.7	-8.4	10.9	-4.2	-3.3
NB	2683	2872	3310	3693	3203	2700	3000
%	-27.1	7.0	15.3	11.6	-13.3	-15.7	11.1
QUE	48070	44654	38228	34015	34154	22800	28000
%	-2.0	-7.1	-14.4	-11.0	0.4	-33.2	22.8
ONT	62649	52794	55772	45140	46645	37000	45500
%	-32.9	-15.7	5.6	-19.1	3.3	-20.7	23.0
MAN	3297	1950	2310	2425	3197	2150	2550
%	-19.3	-40.9	18.5	5.0	31.8	-32.7	18.6
SASK	1417	998	1869	1880	2098	1880	2060
%	-25.7	-29.6	87.3	0.6	11.6	-10.4	9.6
ALTA	17227	12492	18573	18151	17692	12500	13600
%	17.1	-27.5	48.7	-2.3	-2.5	-29.3	8.8
BC	36720	31875	40621	42807	39408	26700	25800
%	-5.6	-13.2	27.4	5.4	-7.9	-32.2	-3.4
CAN	181630	156197	168271	155443	154057	*112500	*127100
%	-15.7	-14.0	7.7	-7.6	-0.9	-27.0	13.0

SOURCE: CMHC.

(F) Forecast.

\* Total does not add due to rounding.



## Housing Starts

### Singles (units and annual per cent change)

	1990	1991	1992	1993	1994	1995 <sup>(F)</sup>	1996 <sup>(F)</sup>
NFLD	2468	2135	1611	1559	1455	1350	1250
%	-15.8	-13.5	-24.5	-3.2	-6.7	-7.2	-7.4
PEI	483	376	421	460	454	350	400
%	5.9	-22.2	12.0	9.3	-1.3	-22.9	14.3
NS	3639	2604	3232	3126	3358	3125	3200
%	8.3	-28.4	24.1	-3.3	7.4	-6.9	2.4
NB	2137	2154	2391	2535	2547	2200	2400
%	-26.5	0.8	11.0	6.0	0.5	-13.6	9.1
QUE	24942	22531	18564	17136	18414	13000	16000
%	1.8	-9.7	-17.6	-7.7	7.5	-29.4	23.1
ONT	32425	26290	27868	26240	30036	21500	28000
%	-39.4	-18.9	6.0	-5.8	14.5	-28.4	30.2
MAN	2847	1589	1683	1874	2441	1700	2000
%	-4.0	-44.2	5.9	11.3	30.3	-30.4	17.6
SASK	1087	775	1484	1342	1542	1445	1505
%	-21.4	-28.7	91.5	-9.6	14.9	-6.3	4.2
ALTA	13809	9778	14125	13040	12671	9300	10300
%	11.9	-29.2	44.5	-7.7	-2.8	-26.6	10.8
BC	18478	18335	21472	17787	16591	10975	11800
%	-14.5	-0.8	17.1	-17.2	-6.7	-33.8	7.5
CAN	102315	86567	92851	85099	89509	*64900	*76900
%	-18.8	-15.4	7.3	-8.3	5.2	-27.5	18.5

### Multiples (units and annual per cent change)

	1990	1991	1992	1993	1994	1995 <sup>(F)</sup>	1996 <sup>(F)</sup>
NFLD	777	701	660	846	788	525	525
%	28.6	-9.8	-5.8	28.2	-6.9	-33.4	0.0
PEI	279	177	223	185	215	40	50
%	-22.3	-36.6	26.0	-17.0	16.2	-81.4	25.0
NS	1921	2569	1441	1156	1390	1425	1200
%	-3.9	33.7	-43.9	-19.8	20.2	2.5	-15.8
NB	546	718	919	1158	656	500	600
%	-29.3	31.5	28.0	26.0	-43.4	-23.8	20.0
QUE	23128	22123	19664	16879	15740	9800	12000
%	-5.8	-4.3	-11.1	-14.2	-6.7	-37.7	22.4
ONT	30224	26504	27904	18900	16609	15500	17500
%	-24.1	-12.3	5.3	-32.3	-12.1	-6.7	12.9
MAN	450	361	627	551	756	450	550
%	-59.7	-19.8	73.7	-12.1	37.2	-40.5	22.2
SASK	330	223	385	538	556	435	555
%	-36.9	-32.4	72.6	39.7	3.3	-21.8	27.6
ALTA	3418	2714	4448	5111	5021	3200	3300
%	44.4	-20.6	63.9	14.9	-1.8	-36.3	3.1
BC	18242	13540	19149	25020	22817	15725	14000
%	5.6	-25.8	41.4	30.7	-8.8	-31.1	-11.0
CAN	79315	69630	75420	70344	64548	*47600	*50300
%	-11.3	-12.2	8.3	-6.7	-8.2	-26.3	5.7

SOURCE: CMHC.

(F) Forecast.

\* Total does not add due to rounding.



## Housing Starts

### Multiples, by Area and Tenure (units)

		Centres 10,000 Population and Over							
		Rental/Co-op Private      Assisted		Total Rental	Condo	Other*	Total 10,000+		
NFLD	1994	48	12	60	46	604	710	78	788
	1995	80	0	80	90	330	500	25	525
	1996	100	0	100	165	250	515	10	525
PEI	1994	182	3	185	0	0	185	30	215
	1995	32	0	32	0	0	32	8	40
	1996	40	0	40	0	0	40	10	50
NS	1994	711	67	778	0	426	1204	186	1390
	1995	775	0	775	24	456	1255	170	1425
	1996	700	0	700	0	380	1080	120	1200
NB	1994	325	0	325	38	117	480	176	656
	1995	250	0	250	50	100	400	100	500
	1996	275	0	275	50	125	450	150	600
QUE	1994	3973	161	4134	5387	5281	14802	938	15740
	1995	2925	0	2925	2850	3650	9425	375	9800
	1996	3100	0	3100	3900	4200	11200	800	12000
ONT	1994	1368	3805	5173	3809	7156	16138	471	16609
	1995	1600	2600	4200	4900	5500	14600	900	15500
	1996	3300	0	3300	6300	6800	16400	1100	17500
MAN	1994	177	25	202	147	28	377	379	756
	1995	100	0	100	220	30	350	100	450
	1996	120	0	120	250	30	400	150	550
SASK	1994	85	4	89	338	18	445	111	556
	1995	2	0	2	222	121	345	90	435
	1996	105	0	105	255	100	460	95	555
ALTA	1994	220	16	236	3116	1052	4404	617	5021
	1995	100	0	100	2100	800	3000	200	3200
	1996	100	0	100	2200	800	3100	200	3300
BC	1994	1516	331	1847	18417	1252	21516	1301	22817
	1995	800	300	1100	13375	650	15125	600	15725
	1996	800	300	1100	11800	600	13500	500	14000
CAN	1994	8605	4424	13029	31192	15934	60261	4287	64548
	1995	6664	2900	9564	24631	11637	45032	2568	**47600
	1996	8640	300	8940	25220	13285	47145	3135	**50300

SOURCE: CMHC.

1994 Actual, 1995-96 Forecast.

\* Includes homeowner and unclassified units.

\*\* Total does not add due to rounding.



## Housing Starts

### Total New House Price Index\* (annual per cent change)

	1990	1991	1992	1993	1994	1995 <sup>(F)</sup>	1996 <sup>(F)</sup>
ST. JOHN'S	3.6	7.2	0.8	0.1	0.4	0.2	0.0
HALIFAX	0.3	-0.2	1.1	3.0	2.8	2.0	1.0
SAINT-JOHN	1.4	0.9	0.9	-0.1	0.1	0.5	0.5
QUÉBEC CITY	3.3	2.8	0.8	-0.3	-0.5	0.8	1.0
MONTRÉAL	2.7	0.6	0.1	0.8	0.6	1.0	0.5
OTTAWA	3.9	-0.4	0.1	-0.6	0.2	-1.2	1.2
TORONTO	-3.8	-15.1	-4.4	-2.4	-0.2	0.9	0.9
HAMILTON	2.3	-5.9	-3.6	-2.6	-0.3	0.7	1.6
ST. CATHARINES	7.0	-3.5	-2.4	-3.2	-4.0	-0.2	0.8
KITCHENER	2.0	-7.8	-3.0	0.8	-2.6	1.0	3.0
LONDON	5.7	0.5	0.2	-0.1	0.2	-1.6	1.4
WINDSOR	4.4	-0.0	-0.1	-0.5	0.1	1.6	1.2
SUDBURY- THUNDER BAY	5.6	0.3	-0.5	1.9	1.4	0.3	1.8
WINNIPEG	1.9	-0.2	-0.1	3.5	3.4	2.2	2.8
REGINA	1.8	2.4	4.6	5.5	3.9	3.0	2.0
SASKATOON	0.7	-0.8	0.5	3.4	1.5	2.0	2.0
CALGARY	12.4	-2.7	0.6	3.1	2.4	0.5	0.0
EDMONTON	15.9	2.2	0.9	3.5	0.9	-1.5	-0.5
VANCOUVER	5.7	-7.2	8.8	7.7	-0.6	-3.6	3.0
VICTORIA	7.0	-1.5	4.9	3.0	-0.9	-7.2	0.5
CANADA	1.5	-6.9	0.0	1.2	0.1	-0.5	1.2

SOURCE: Statistics Canada.

(F) Forecast by CMHC.

\* Includes both house and land components.



## MLS Activity

### Total Residential Sales (units and annual per cent change)

	1990	1991	1992	1993	1994	1995 <sup>(F)</sup>	1996 <sup>(F)</sup>
NFLD	1998	1892	1829	1867	1873	1750	1700
%	-2.1	-5.3	-3.3	2.1	0.3	-6.6	-2.9
PEI	742	764	604	654	599	400	425
%	18.5	3.0	-20.9	8.3	-8.4	-33.2	6.3
NS	6072	5811	6958	7180	7140	6800	6700
%	3.6	-4.3	19.7	3.2	-0.6	-4.8	-1.5
NB	3316	3259	3550	3483	3339	3250	3350
%	-5.0	-1.7	8.9	-1.9	-4.1	-2.7	3.1
QUE	28067	28005	31946	31875	33575	28700	31300
%	-8.3	-0.2	14.1	-0.2	5.3	-14.5	9.1
ONT	102792	126143	131380	121558	130099	114000	127000
%	-28.1	22.7	4.2	-7.5	7.0	-12.4	11.4
MAN	9356	9521	11383	10556	10825	9500	10000
%	-9.8	1.8	19.6	-7.3	2.5	-12.2	5.3
SASK	6405	6505	7829	7375	7459	7355	7400
%	-6.5	1.6	20.4	-5.8	1.1	-1.4	0.6
ALTA	33085	34360	38545	37024	32512	29000	31500
%	-8.7	3.9	12.2	-3.9	-12.2	-10.8	8.6
BC	58027	84554	93564	80919	75270	56100	61800
%	-30.6	45.7	10.7	-13.5	-7.0	-25.5	10.2
CAN**	249860	300814	327588	302491	302691	*256900	*281200
%	-22.5	20.4	8.9	-7.7	0.1	-15.1	9.5

### Average Residential Price (dollars and annual per cent change)

	1990	1991	1992	1993	1994	1995 <sup>(F)</sup>	1996 <sup>(F)</sup>
NFLD	88654	90822	91590	91242	91697	89500	90500
%	6.4	2.4	0.8	-0.4	0.5	-2.4	1.1
PEI	69284	71033	75570	72421	78752	70000	72000
%	-6.6	2.5	6.4	-4.2	8.7	-11.1	2.9
NS	84649	86462	87684	88965	91109	90000	91000
%	2.8	2.1	1.4	1.5	2.4	-1.2	1.1
NB	77752	80897	82478	84951	84148	82000	83500
%	2.5	4.0	2.0	3.0	-0.9	-2.6	1.8
QUE	100811	102795	102311	102447	102242	101000	101600
%	0.3	2.0	-0.5	0.1	-0.2	-1.2	0.6
ONT	175859	173723	162827	157671	161260	158000	162000
%	-4.7	-1.2	-6.3	-3.2	2.3	-2.0	2.5
MAN	79961	80445	80686	81739	83761	82000	83500
%	-3.0	0.6	0.3	1.3	2.5	-2.1	1.8
SASK	68963	67697	68406	70698	72738	73551	74653
%	-2.1	-1.8	1.0	3.4	2.9	1.1	1.5
ALTA	108675	111482	113558	117085	117336	113800	115000
%	10.3	2.6	1.9	3.1	0.2	-3.0	1.1
BC	157616	168235	189999	211992	229514	221500	220400
%	4.0	6.7	12.9	11.6	8.3	-3.5	-0.5
CAN**	143432	149749	150753	153583	158916	*151900	*154600
%	-3.6	4.4	0.7	1.9	3.5	-4.4	1.8

SOURCE: The Canadian Real Estate Association.

(F) Forecast by CMHC.

\* Total does not add due to rounding.

\*\* Excludes Yukon and Northwest Territories.



## Vacancy Rate

### Apartment Structures of Three Units & Over Privately Initiated, by Metropolitan Area (per cent)

		1994		1995		1996	
	*Number of Units	APR	OCT	APR	OCT <sup>(F)</sup>	APR <sup>(F)</sup>	OCT <sup>(F)</sup>
CALGARY	48456	6.3	5.1	4.6	4.0	4.2	3.6
CHICOUTIMI- JONQUIÈRE	8257	5.3	6.3	5.5	5.7	5.2	5.3
EDMONTON	65010	9.1	8.9	10.2	9.0	9.7	8.0
HALIFAX	31876	7.2	7.2	7.2	7.5	8.0	8.0
HAMILTON	43115	2.7	2.4	2.4	2.3	2.1	2.1
KITCHENER	26183	4.2	2.8	2.6	2.6	2.4	2.3
LONDON	39820	4.7	4.1	3.9	3.5	3.6	3.4
MONTRÉAL	455355	6.4	6.8	5.8	6.6	5.8	6.5
OSHAWA	11128	4.1	3.4	2.6	1.9	1.0	0.7
OTTAWA	60925	2.5	2.6	3.4	2.9	3.2	2.7
HULL	18374	4.7	6.6	5.6	5.0	4.7	4.5
QUÉBEC CITY	71379	5.7	6.9	5.6	6.3	5.2	5.9
REGINA	12118	4.1	3.2	3.3	3.0	3.5	3.0
ST. CATHARINES- NIAGARA	16573	6.0	5.8	4.9	4.3	3.7	3.5
SAINT JOHN	7938	8.7	8.0	8.8	8.3	9.0	8.4
ST. JOHN'S	4723	10.6	7.1	9.1	9.6	10.2	8.6
SASKATOON	17829	4.0	1.8	2.3	2.0	3.3	2.0
SHERBROOKE	23376	6.2	8.0	6.2	7.1	6.2	6.9
SUDBURY	10763	5.1	4.3	6.2	5.2	5.0	5.0
THUNDER BAY	5391	4.4	4.1	6.4	5.9	5.9	5.7
TORONTO	297213	1.8	1.2	1.0	0.7	0.4	0.3
TROIS-RIVIÈRES	15702	6.3	7.4	7.3	6.9	7.0	6.7
VANCOUVER	107330	1.4	0.8	1.3	0.9	1.5	1.1
VICTORIA	24557	3.0	1.9	4.1	2.7	3.4	2.0
WINDSOR	14692	2.6	1.6	1.3	0.7	0.7	0.5
WINNIPEG	56305	5.4	5.6	4.7	5.1	4.2	4.5
CANADA**	1494388	4.6	4.6	4.2	4.3	4.0	4.0

SOURCE: CMHC.

(F) Forecast.

\* Total number of units in April 1995.

\*\* Weighted average of Metropolitan areas surveyed.



## Labour Markets

### Employment (annual per cent change)

	1990	1991	1992	1993	1994	1995 <sup>(F)</sup>	1996 <sup>(F)</sup>
NFLD	0.0	-1.5	-4.4	-0.5	0.5	2.6	-2.0
PEI	1.9	-3.6	1.9	0.0	3.7	4.0	0.0
NS	1.6	-2.1	-2.9	-0.8	3.3	0.8	1.3
NB	2.0	-1.7	1.7	1.0	0.7	2.9	1.3
QUE	0.5	-2.3	-1.0	0.4	2.5	1.7	2.0
ONT	-0.3	-3.5	-0.9	1.8	1.4	1.8	2.1
MAN	1.0	-2.3	-1.6	2.2	0.4	1.0	1.4
SASK	0.0	0.0	-1.5	0.9	0.4	0.7	0.4
ALTA	1.8	1.0	-0.4	0.9	3.2	2.6	1.5
BC	2.5	1.5	2.1	2.9	4.0	1.7	1.4
CAN	0.6	-1.9	-0.6	1.3	2.1	1.8	1.7

### Unemployment Rate (per cent)

	1990	1991	1992	1993	1994	1995 <sup>(F)</sup>	1996 <sup>(F)</sup>
NFLD	17.0	18.3	20.2	20.1	20.4	19.0	20.3
PEI	14.9	16.9	17.9	18.1	17.1	15.0	15.0
NS	10.5	12.0	13.2	14.7	13.3	12.9	12.7
NB	12.1	12.8	12.8	12.6	12.4	11.5	11.1
QUE	10.2	12.0	12.8	13.2	12.2	11.7	11.5
ONT	6.3	9.6	10.9	10.6	9.6	8.8	8.4
MAN	7.3	8.9	9.7	9.3	9.2	8.8	8.7
SASK	7.0	7.3	8.2	8.0	7.0	6.1	5.5
ALTA	7.0	8.3	9.5	9.7	8.6	8.1	7.9
BC	8.4	10.0	10.5	9.7	9.4	9.0	9.1
CAN	8.1	10.3	11.3	11.2	10.4	9.8	9.6

SOURCE: Statistics Canada.  
(F) Forecast by CMHC.



## Demographics

### Total Net Migration\* (number of persons)

	1990	1991	1992	1993	1994	1995 <sup>(F)</sup>	1996 <sup>(F)</sup>
NFLD	-689	-127	-567	-3051	-6371	-6800	-7500
PEI	-120	-305	636	680	1230	865	605
NS	846	2054	2940	1818	-45	-350	-450
NB	1285	396	-138	486	-328	-350	-500
QUE	21211	20179	25143	29363	3848	5200	6000
ONT	84061	67864	101307	63958	73071	98000	100000
MAN	-2958	-2153	-1187	-1177	-1511	-900	-800
SASK	-13859	-6881	-3786	-1513	-1858	-2875	-3875
ALTA	26085	17990	17603	6944	385	0	500
BC	67124	64066	79396	75424	72792	68300	63400
CAN**	182986	163083	221347	172932	141213	161090	157380

SOURCE: Statistics Canada.

(F) Forecast by CMHC.

\* Sum of the interprovincial migration, international migration, non-permanent residents and returning Canadians.

\*\* Excludes Yukon and Northwest Territories.



## Major Housing Indicators

Seasonally adjusted at annual rates  
(levels and quarterly per cent change)

	93:Q4	94:Q1	94:Q2	94:Q3	94:Q4	95:Q1	95:Q2
<b>New housing</b>							
Building permits, units, thousands	164.0	155.9	175.3	151.4	145.6	123.3	..
%	-1.8	-4.9	12.5	-13.7	-3.8	-15.4	..
Housing starts, total, thousands	162.2	153.9	165.8	155.0	141.7	127.4	108.3
%	2.6	-5.1	7.7	-6.5	-8.6	-10.1	-15.0
Housing starts, singles, thousands	84.4	74.6	102.7	96.4	75.7	62.5	63.7
%	-5.5	-11.6	37.7	-6.1	-21.5	-17.4	1.9
Housing starts, multiples, thousands	77.8	79.3	63.1	58.6	66.0	64.9	44.6
%	13.1	1.9	-20.4	-7.1	12.6	-1.7	-31.3
Housing completions, total, thousands	156.7	145.6	163.9	176.1	162.8	131.8	126.7
%	-9.7	-7.1	12.5	7.4	-7.5	-19.0	-3.9
New house price index, 1986=100	136.4	136.4	136.0	135.9	136.0	135.8	..
%	0.1	0.0	-0.3	-0.1	0.0	-0.1	..
<b>Existing housing</b>							
MLS resales, units, thousands	317.9	332.4	322.8	275.7	279.9	210.8	253.5
%	0.8	4.6	-2.9	-14.6	1.5	-24.7	20.3
MLS average resale price, \$C thousands	154.1	157.7	158.4	159.6	159.4	151.1	153.2
%	0.1	2.3	0.4	0.8	-0.1	-5.2	1.4
<b>Mortgage market</b>							
Mortgages outstanding, \$C billions	311.0	316.2	322.7	327.7	330.7	334.1	..
%	1.6	1.7	2.0	1.6	0.9	1.0	..
Mortgage approvals, \$C billions	71.1	82.6	76.0	57.0	54.1	47.4	..
%	-2.7	16.2	-8.0	-25.0	-5.1	-12.4	..
1-year mortgage rate, per cent*	6.33	6.17	8.28	8.38	8.50	9.63	8.50
5-year mortgage rate, per cent*	8.08	7.82	9.92	10.30	10.10	10.34	8.96
<b>Residential investment**</b>							
Total, \$1986 billions	31.4	32.5	33.9	32.2	31.2	29.9	..
%	0.4	3.6	4.3	-5.1	-3.1	-4.1	..
New, \$1986 billions	14.3	14.9	16.1	15.8	14.6	14.0	..
%	0.3	4.4	8.0	-1.9	-7.4	-4.4	..
Alterations, \$1986 billions	10.5	10.5	11.0	10.7	10.6	10.9	..
%	0.5	-0.1	4.5	-2.6	-1.3	2.8	..
Transfer costs, \$1986 billions	6.6	7.1	6.9	5.7	6.0	5.1	..
%	0.5	7.7	-3.8	-16.6	5.2	-15.4	..
Deflator, 1986=100	137.4	139.1	139.2	139.5	140.1	138.2	..
%	-0.3	1.2	0.1	0.2	0.4	-1.4	..

SOURCES: CMHC, Statistics Canada, Bank of Canada, The Canadian Real Estate Association.

.. Figures not available.

\* All indicators are seasonally adjusted except 1- and 5-year mortgage rates.

\*\* Residential investment includes outlays for new permanent housing; conversion costs; the cost of alterations and improvements; supplementary costs; and transfer costs.



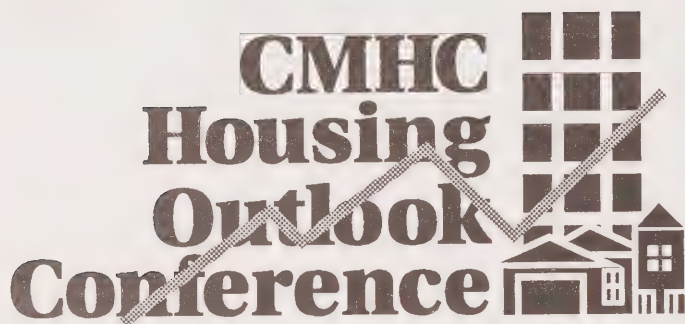








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If you want further information on registering for any of these events please call the local CMHC branch office.



Lacking 4th quarter, 1995



















